# Nation's Business

A USEFUL LOOK AHEAD

JULY 1961


## URGENT NEED: ALL-OUT AUTOMATION

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How business sees next 12 months PAGE 36

Dr. Dawe: **I quit socialized medicine** PAGE 32

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Make this test for higher profits PAGE 82



# Aluminum Island.

Is this tomorrow's marina? The boat company that commissioned this Olin design thinks it's very likely. After all, new design and engineering concepts and new fabricating techniques make aluminum near limitless in application. Aluminum's inherent qualities, resistance to corrosion, lightness, natural attractiveness and strength make it a "dream medium" for designers; this marina is an excellent example. It's an on-the-spot depot for fuel, food, marine supplies – and travels from place to place under its own power. And designers who work in new concepts of aluminum have the resources of Olin Aluminum at their disposal. Our technical research and product development staff live in the world of new alloys, intricate design, fabrication, and cost and production statistics. They "think aluminum." All you have to do is think "Olin."®

Olin
ALUMINUM
400 PARK AVE., NEW YORK 22, NEW YORK




# Outdoor telephones give your citizens 24-hour convenience and protection

He misses the last bus, and he has to call a cab.

She has a flat tire, and she needs to call a service station. The show ran late, and they want to call the babysitter.

At night, outdoor phones are as welcome to your citizens as street lights. Outdoor phones are always open. They hear your citizens' voices when your streets are silent.

Outdoor phones give this same kind of convenience and protection during the day, too. And they give your city extra revenue—without adding one cent to your municipal taxes.

There are three handy types of outdoor phones—the Airlight Booth, the Walk-Up Phone and the Drive-Up Phone.

To learn how your city and citizens can profit from them, just call your local Bell Telephone Manager. He'll promptly arrange for a custom-designed telephone plan for your city. Our services are free and are offered without obligation.

**BELL TELEPHONE SYSTEM**

# Nation's Business

July 1961 Vol. 49 No. 7
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Washington, D.C.

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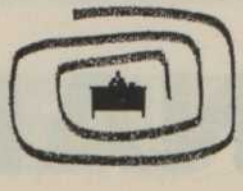
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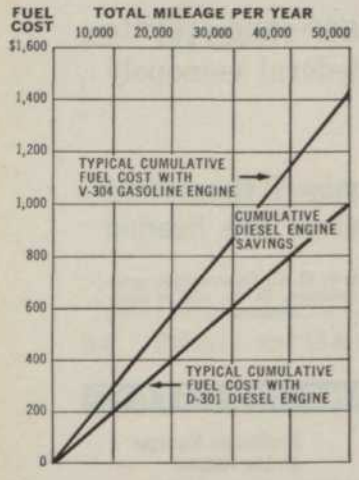
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# Profit from practical power: Go diesel




**City special**—This compact-design model BC-160 truck with D-301 engine and city van body furnishes a working match of power, capacity and application—unbeatable in the 16,000 to 19,000 lb. GVW class.



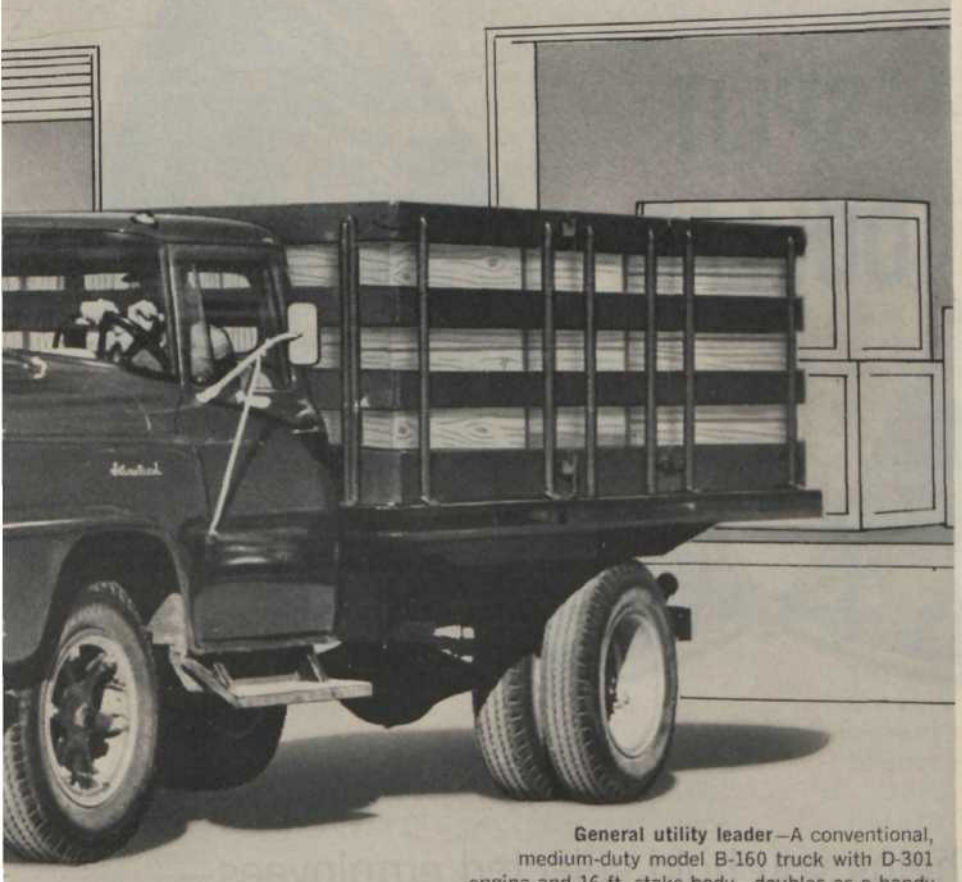

Now an economic "prove out" of diesels can work for your short-haul, city delivery operations. It works because INTERNATIONAL engineers have come up with a small, lightweight diesel for medium-duty service—the INTERNATIONAL D-301 engine. It costs you so little more than a V-8 that it pays off even in freight transfer, pickup and delivery or produce handling operations.

The graph at left proves this. In tests and in actual use, the D-301 has consistently delivered fuel savings of 40 to 45% when compared to gasoline V-8's in the identical service. The more miles per truck, the greater your savings.

The D-301 diesel in INTERNATIONAL B-160 and BC-160 Series trucks means day-to-day dependability, year-in, year-out durability. Your INTERNATIONAL Dealer can estimate the fuel savings pay-off you can expect in your moderate-speed, moderate-load (16,000-19,000 lbs. GVW), short-haul and delivery applications when you equip with the new INTERNATIONAL D-301 diesel engine.

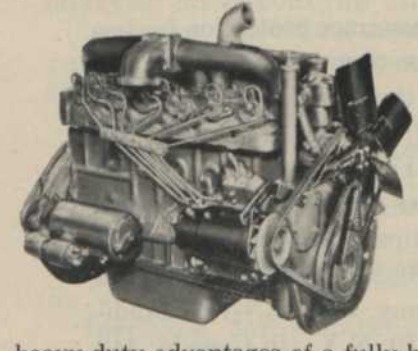
# INTERNATIONAL®

# for short hauls, too!



**General utility leader**—A conventional, medium-duty model B-160 truck with D-301 engine and 16 ft. stake body—doubles as a handy platform—a "can-do" truck of a thousand uses.

**Modern compact-design—INTERNATIONAL D-301 Engine** gives you low-cost diesel performance for short-haul, city delivery service. Naturally aspirated 6-cylinder 301 cu. in. engine delivers 113 hp at 3,000 rpm. Weighs only 902 lbs. or 8 lbs. per horsepower. High torque (228 lb. ft.) at low speed (1600 rpm) for low consumption of No. 2 diesel fuel and long life between overhauls. Direct electrical starting (12V) and a simplified, low-pressure fuel system make it easy to drive service-free miles. The D-301 has the heavy-duty advantages of a fully-hardened crankshaft, reinforced crankcase, heat resistant exhaust valves. International Harvester Co., Chicago.



# TRUCKS IH

WORLD'S MOST COMPLETE LINE

# Meet the new Scout!



**As a 5-foot pickup, the SCOUT scoots out on local service, carries parts and tires, will pick up supplies, hot shot a delivery—do just about anything you want it to. Steel top standard, soft vinyl top optional.**

It's the new concept in low-cost vehicles, the SCOUT from INTERNATIONAL. A 4-cylinder, 93 hp COMANCHE engine gives this 100 in. w.b. baby all the zip you could ask for. Optional 4-wheel-drive turns it into a tiger where the going's rough. Winch, snow plow, 2 soft vinyl tops, steel Travel-Top, radio, heater-defroster are optional to meet your every need.



**It's a convertible**—Terrific for terminal supervision, carries a big load.



**It's fully-enclosed**—Lightest P&D unit in your fleet. Cargo is protected and dry.



**It's a runabout**—Fully stripped down, can do all kinds of jobs, will go across country if needed. Great for any outdoor activity.




# SPLIT DOLLAR

## A special plan that helps you hold selected employees—returns your investment, too!

By using a "split-dollar" arrangement, more and more companies—large and small—are offering selected employees the important security of permanent, personal life insurance. This valuable fringe benefit helps keep them on your payroll. Here's how it works:

You take out a policy on the employee's life. You advance that part of the premium representing the yearly increase in cash value—the employee pays the balance. If the employee dies, his beneficiary receives the face amount of the policy less the total amount you have advanced—this is returned to you. Or, when he retires, the accumulated "cash value" can be returned to you—or you may use it to supplement his retirement income.

Under such an arrangement your employee receives permanent insurance protection for less than he would pay for term insurance.

This is just one of the many important ways Business Insurance from New York Life can serve your company. For all the facts about this arrangement and other modern insurance plans for your family, company or employees, call your New York Life Agent. Or write: New York Life Insurance Company, Dept. EN-7, 51 Madison Ave., New York 10, N.Y. (In Canada: 443 University Ave., Toronto 2, Ont.)

**NEW YORK LIFE**

LEADER IN BUSINESS INSURANCE (nylic)

Life Insurance • Group Insurance
Annuities • Accident & Sickness Insurance • Pension Plans

▶MEANINGFUL CLUES to the future show up in workers' pay envelopes.

Example:

Overtime pay for all factory workers (approximately 11½ million of them) now averages about $7.40 a week.

Overtime average is up 40 cents in a month, up 85 cents a week in two months.

This means industrial output is again headed up.

Note: Overtime currently accounts for $1 out of every $12.50 in factory workers' pay envelopes.

Projection indicates that, six months from now, this will go up to $1 out of every $10.

▶SET YOUR SIGHTS on these prospects:

Business will go up from $500 billion annual rate during first quarter of '61 to a probable $525 billion rate by next Christmas season.

Eighteen months from now you can look for production of goods and services to be going at an annual rate of about $560 billion.

Unemployment rate, now about 6.8 per cent of the work force, will decline gradually.

Specialists anticipate jobless rate will drop below five per cent in about a year.

Year and a half from now it'll fall below 4½ per cent.

▶SALES WILL SHOW increasing strength.

That's expectation of economists who analyze data pouring into Washington.

Consumer spending now--at midyear--is running at an estimated annual rate of about $335 billion.

That's up from $328 billion last year.

Spending rate is climbing, is expected to reach about $344 billion by year end.

Biggest increases are indicated for durable goods sales.

Nondurable goods show good expectation as well.

Spending for services, which kept rising during recent slack period, will also speed up.

▶PROFITS LOOM in business spotlight.

Reason:

They're headed up.

After falling for two years in a row, profits now are beginning to improve.

There's prospect that profits will be trending upward for at least the next 18 months.

For focus, here are facts:

Corporate profits (before taxes) hit top in 1959.

Total that year was $46.6 billion.

Last year's corporate profits plunged from January on. Downward trend continued through early months this year.

From low point of early 1961, profits are expected to rise--total this year to be in the neighborhood of $44 billion.

Next year's total is likely to be in the neighborhood of $50 billion.

That would make '62--in total dollars --best profit year yet.

▶NATION'S BUSINESS SURVEY of leading executives shows optimism about the next 12 months.

Executives also are aware of problems during period ahead--such as:

Concern about unemployment in some industries.

Threat of inflation.

Government interference with private enterprise.

Expectation of other (mild) recessions in years ahead.

Here's capsule of survey findings on sales, prices, profit:

Eighty-six per cent expect sales of their companies to rise between now and mid-1962.

Seventy-three per cent look for prices of their products to remain at about the present level.

Eighty-six per cent think profit per dollar of sales will increase or remain about the same.

Other survey findings on page 36.

▶CONGRESS--60 DAYS to go, many issues to wrestle with before adjournment.

Expectation of adjournment by end of August is widespread on Capitol Hill.

Here's a list of issues important to businessmen:

Social security--Increased payments are expected to be approved but medical care benefits will be put off until next year.

("We've got to save something until election year," one congressman tells Nation's Business.)

Foreign aid--Administration wants

$4.8 billion; look for much discussion, probable approval of lower amount; more congressmen are becoming disenchanted about effectiveness of federal aid programs.

Price of credit--Several senators, led by Mr. Douglas of Illinois, are pushing for a measure that would establish federal regulation of consumer credit and lending transactions; proposal may be held over until next year.

Taxation--President wants Congress to allow tax credits for investment in new plant and equipment; repeal $50 dividend exclusion and four per cent dividend tax credit; approve 20 per cent withholding tax on dividends; reduce business expense account deductions; tax business earnings on investment abroad; tax cooperatives.

Most tax measures will be held over until next year, when new proposals will be made, with possible large-scale revision of tax code.

New department--President wants Dep't of Urban Affairs and Housing; iffy.

Postal rates--Plan would hike postal rates enough to offset an $800 million annual post office deficit; positive action this year unlikely.

Mergers--Proposal would require firms to notify government 60 days in advance of merging; issue likely to be held for next session of Congress.

Patents--Proposal would give government ownership of patents resulting from government contract work; pressure for passage but issue will be held up.

Unemployment--Several bills would provide federal funds for retraining jobless workers; others would spend tax money for capital investment programs in areas of high unemployment; pressure is strong for passage this year.

▶ECONOMIC ADVISERS to Administration chiefs in Washington have a new assignment:

To rally public support for economic policy decided in advance.

Example:

Government leaders, fearing future inflation--particularly during election season next year--are determined that business not raise prices.

Staff economists are busy pulling together necessary information to show businessmen cause inflation by boosting prices.

This is happening in anticipation, for example, that steel industry might raise prices this year (last steel price increase was in 1958, despite new wage increases).

Fear that inflation--which now appears likely next year--will become a key issue in 1962 is back of the many anti-inflation pronouncements coming now from Washington officials.

Here's a pronouncement to watch for:

It'll come about midmonth from the President's Advisory Committee on Labor-Management Policy.

It'll urge restraint on the part of unions and business to hold down forces of inflation.

Staff group more than 30 days ago was put to work drawing information together for this public announcement.

▶STAGE IS SET for a new decline in the value of your dollar.

Background:

Inflation has washed away 13 cents from the value of your dollars during the past 10 years.

Outlook:

In another 10 years, according to some economists, inflation could take away twice that much.

In 20 to 25 years the value of today's dollars could be cut in half.

Failure of price indexes to move up dramatically at this time clouds real danger of future inflation.

What's happening now is that forces are surging beneath the surface of what appears to be comparative stability.

These could begin eating away at your dollar in the next few months.

Probable future trends:

Creeping inflation during remaining months this year (government secretly projects 1½ per cent inflation during the next six months), with pace of inflation picking up next year and years beyond.

These are the possibilities economists are talking about.

Key question for businessmen is:

What's causing new build-up of inflation forces?

Answer:

Rising government spending, prospect

of big deficit during fiscal year that starts this month.

This pumps additional dollars into the stream of commerce, tends to push prices up, depending on size of the deficit.

Mounting cost pressures also add to prospect of inflation.

Wage costs, higher now than ever, kept climbing during business slack.

Because of union demands, wages now threaten to push up faster, exceeding productivity gains.

Details on what's likely to happen in period ahead appear on page 69.

▶ECONOMIC CONTROLS--to clamp lid on prices--are possible.

Not probable, though.

Civil defense officials would like to have Congress put standby controls on law books to be used in case of war.

But it's unlikely Congress would pass such legislation.

In absence of legislation, there's a feeling that President could put controls into force if real emergency arises.

Hence, an elaborate economic-control plan has been worked out.

It's available for instant use.

Question:

Would these controls be used in case of substantial rise in consumer prices not accompanied by war emergency?

Feeling is that they would not be used without asking congressional approval.

▶HERE'S A NEW PROJECTION of government spending trends:

Federal buying of goods and services will rise about $2.5 billion this year.

State and local spending for goods and services will go up about $4 billion.

Annual rate for all government buying reached $99.7 billion last year.

It'll rise above $111 billion annual rate next January.

▶PATTERN OF QUICK and frequent federal intervention in labor disputes differs sharply from previous Administration's hands-off policy.

Federal panels currently are trying to settle featherbedding issues in railroads, New York tugboat dispute, and the fight between airline pilots and flight engineers which grounded a large part of the airline industry last February.

There's threat of intervention to come in auto industry's negotiations for new contracts with auto union chief Walter Reuther.

Talks, going on this month and next, will come to a head at the end of August when current contracts expire.

If it comes, strike would start after Labor Day.

Hint:

Labor Secretary Arthur Goldberg says that a strike would be intolerable.

▶BIG SHOOTING WAR with Russia is remote.

This--currently--is best estimate in Washington.

Top specialists who analyze communist moves daily see these prospects:

Reds will intensify race to win men's minds through use of propaganda and spectacular achievements (such as men in space).

But Russia's strategy is carefully planned to avoid old-fashioned shooting war with U. S.

Next phase of world war means economic combat, with communists attempting to drive a wedge between free nations.

What's ahead for the free world is the prospect that communists will make great strides without firing a shot--something Reds couldn't do in a showdown war.

More on what's ahead in world conflict with Russians appears on page 38.

▶COMMUNIZATION OF CUBA is moving ahead at full speed.

More than 300 so-called agricultural experts have arrived there from Russia.

Their announced mission:

To teach Cuban farmers techniques of Soviet farming.

Their real mission:

To teach Cubans how to be communists.

Note of irony:

One of the chief economic problems of all communist countries, particularly Russia, is how to boost farm production.

▶SHORTER WORK HOURS brings leisure that some people don't want.

This accounts for some of the increase in moonlighting.

Moonlighters--people with two or more jobs--number about 3.5 million.



# How To Turn 5 Top Men Into 10 —Or More:

Many a company that's thin at the top actually has more "bench strength" than it is using. Many a firm has proved it by adding a Beechcraft to help top producers do more of the jobs that only they can do.

With a Beechcraft to save his time and conserve his energies, many a top man can suddenly be in twice as many places in a week's time, making twice as many timely face-to-face decisions that mean big profits to his company.

When this happens, it's like getting another top man for each one you now have who uses the Beechcraft regularly.

"Our company-owned Beechcraft serves us as well as another $20,000 a year executive," the owner of a construction firm told us recently, "because it permits me to supervise twice as many projects quickly, easily."

Could your top men be more valuable to the company by being in more places more often? If the answer is yes, why not get more facts now about the Beechcraft way to multiply top men.

**EXECUTIVES:**
**Write today** for free copies of "Dollars and Sense of Business Flying." Address Public Relations Dept., Beech Aircraft Corp., Wichita 1, Kansas, U. S. A.




Beechcraft
AIR FLEET OF AMERICAN BUSINESS



Business opinion:

# Shorter workweek called union bid for power

"WHO Would Pay for Shorter Hours" [June] was timely and well written. I believe, however, that it left out one of the main items unions seek.

In my opinion unions want to capture a greater majority of employes and thereby increase their power and coffers. The majority of unions today are not representatives of the workers but seek only to control the employes, the employer and the government; they seek might over right. Some unions are using the "shorter workweek-same pay" gimmick as a means of forcing more dues-paying workers into the union.

Our politicians have given the unions more real power than our constitutional government. One has only to look at the high initiation fees, dues, assessments and the like that unions collect from their forced membership—before the government collects its taxes—to see the control that law-exempt labor organizations have over our used-to-be free enterprise system.

It is disheartening to see how many of our citizens and public servants have been fooled by a name. "Labor organizations" or "unions" have been exempted from almost any type of effective control simply because they are supposed to have the interest of the common people at heart. What is the difference between a labor organization, a union, a protection racket, socialism or communism—when all of these groups use force, fear, coercion and blackmail pickets, threat or other such tactics to gain their objectives?

I do not believe that all labor organizations are bad—only those whose objectives and manner of obtaining those objectives are contrary to the principles of a free society.

FRANK A. CALHOUN
Calhoun Dry-Wall Company
San Bernardino, Calif.

### Business in Mexico

As an informed American anti-communist in business in Mexico with Mexican nationals, I have worked with these fine people for over fifteen years. I request permission to reprint "Reds at U. S. Border Plot World Rule" [June] for distribution in the United States and Mexico.

ED C. SCHWILLE
President
Sales Associates, Inc.
Dallas, Texas

### More on salesmanship

"What's Happened to Salesmanship" [May] outlined the problems very well and, by implication, suggested solutions. These solutions are not easy to come by, and the most desirable one probably is to find men who respond to the challenge of selling and are eager to do something about it.

THOMAS A. LEHR
Thomas Lehr Associates
Detroit, Mich.

There are many of us involved in distribution today who have been asking this question for the past couple of years. Your article points up many factors that greatly concern management in many marketing organizations today.

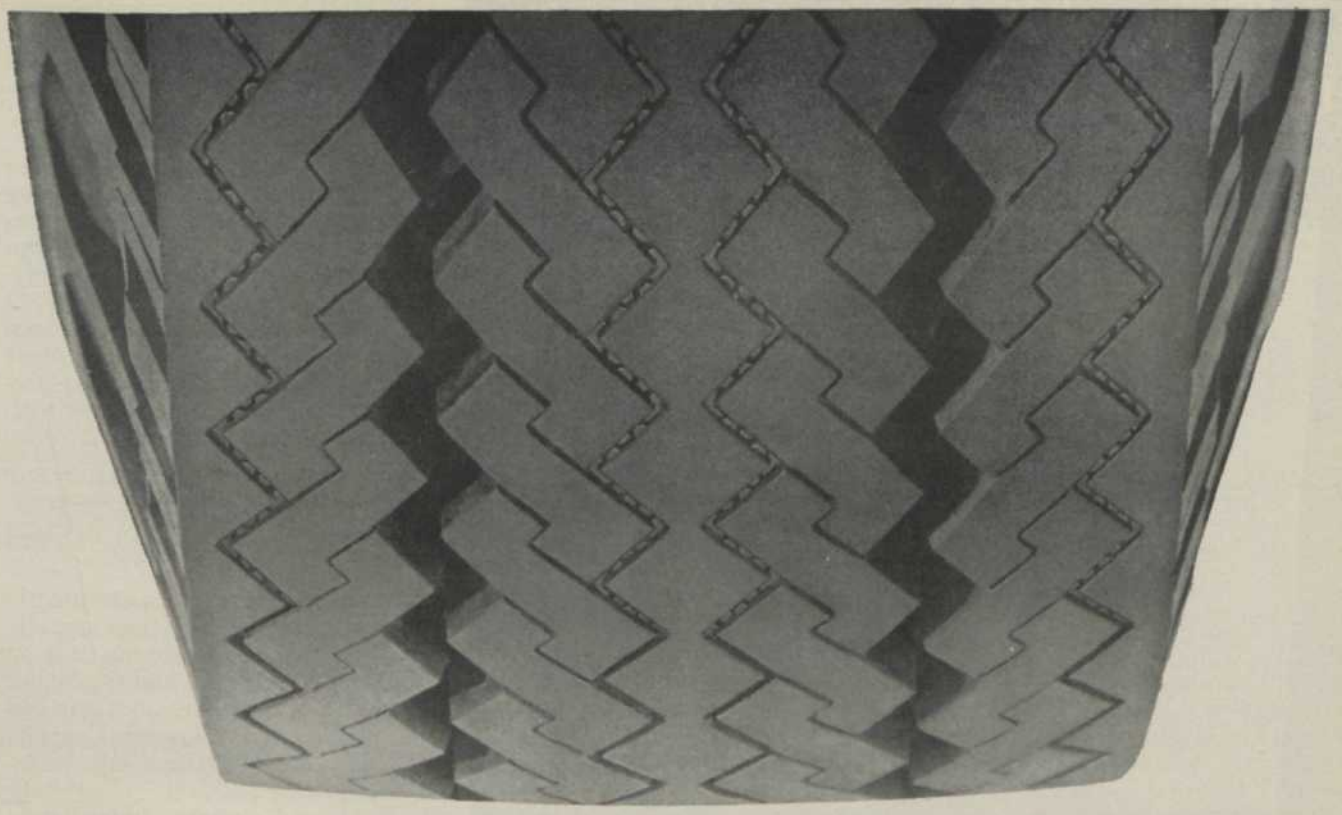
J. J. DONOVAN
The Donovan Company
Boston, Mass.

There are two types of persons involved in the business of moving merchandise. There are those with selling ability and those with salesmanship ability.

Selling ability, to draw the distinction, while a highly important function employed by at least 90 per cent of all persons in merchandising, requires little skill. For the most part, it occurs in situations where the buyer needs only assistance in selection as in the case of department store shoppers or car buyers.

Salesmanship ability, on the other hand, takes important skill and sharpened techniques because the function is basically to persuade the buyer. Salesmanship is an organized, planned aggression to persuade new decisions, new customers, new markets, sell more products.

Salesmanship at its best is cer-



# A close look tells why!

# New Firestone Transport-100 truck tire boosts mileage 50% (yet costs no more)

Take a look at this totally new 3-rib truck tire! Totally new, yet already proved in over 109,000,000 miles of fleet tests to bring you 50% more original tread mileage and much greater drive wheel traction. With its completely new Rubber-X compound and Shock-Fortified cord body, the Transport-100 can give you an extra tire mile for every two you run . . . stops in 2/3 the distance most other truck tires require on wet, slick or snow covered pavement . . . and it is *noise-treated* for quieter running. You'd expect to pay more, but the big news is this: *You can start running on Firestone Transport-100 tires now at no extra cost!* Available in nylon or Tyrex® rayon cord, tubed or tubeless, at your Firestone Dealer or Store. **Always Specify Firestone Tires on New Trucks.**

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®T.M. of Tyrex, Inc. Transport® T.M. Firestone




NEW flatter tread crown to give tires greater contact with the road for more even wear and added truck tire mileage.



NEW unique "stone guards" built right into the tread keep it free of damaging gravel and pebbles to lengthen tire life.



NEW deep tapered grooves are contoured to clean out larger stones. Offer more resistance to tread cracking.



NEW 3-rib tread design with broad stable center rib boosts mileage, reduces tread squirming and costly scuffing wear.



NEW deep bladed slots boost traction for full tread life. Braced design gives even wear, surer steering on curves.

# This goldfish traveled 5,064 miles without ever leaving home!



Demonstrated on Dave Garroway's Today Show and Jack Paar's Tonight Show on NBC-TV.

**Proved by major moving companies throughout the U. S., now Poly-Tite makes "skin" packaging practical for almost any product, for any industry — at a new, low cost**

The goldfish above was shipped in its own bowl, complete with water, from San Francisco to New York City and return. It arrived alive—with bowl intact—and not a drop of water was spilled.

Incredible? Not at all. "Skin" packaging (a packaging method of vacuum-sealing almost any object to paperboard with clear plastic film) has been used for years by a limited number of industries.

Now, due to its low cost and simplicity of operation, Poly-Tite makes "skin" packaging practical for almost any type of business—from large industrial manufacturers of electronic equipment to small manufacturers of spare parts, from large-city retail stores to local household movers.

**The advantages of Poly-Tite packaging:**

1. Eliminates extensive packing material.
2. Speeds the entire packing operation.
3. One-man operation lowers time cost.
4. Less weight and dimensions mean less shipping and storage costs.
5. Reduces damage from moisture, shock, dust and abrasion.
6. Reduces pilferage, keeps sets together.
7. Makes inventorying easy.
8. Keeps products and plant clean.

For complete information, see the Poly-Tite distributor in your area. Or write or call MfP Division, Avery Industries, Inc., Box 1553, San Mateo, Calif., DI 2-6091.

**POLY-TITE®**

## HERE'S HOW IT WORKS:



**In the Electronics Industry:** Expensive electronic vacuum tubes are being Poly-Tite packaged for maximum protection during shipment. Reduces breakage, saves time.



**In the Machine Parts Industry:** Intricate spare parts are protected against moisture, dust, shock and abrasion, then removed as they are needed with Poly-Tite packing.



**In Retail Stores:** Retailers are lowering costs, reducing breakage, and satisfying customers by packing china, glassware and many other items with Poly-Tite.


## Business opinion:

tainly not a thing of the past nor is it hampered by the advertising and promotion efforts of manufacturers generally. In office equipment, you'll find salesmen aplenty. These men, daily, prospect in 14 different ways for new customers, approach them and present their story with all the finesse of craftsmen working an art, and close with at least a dozen techniques.

BERNARD W. MAXWELL
Asst. National Sales Manager
Photocopy Products
Smith-Corona
New York, N. Y.

I am afraid that inadventently the writer of this article contributes to the lack of salesmanship on the part of salesmen and the loss of respect for these men by their employers and the general public through the use of the words "salesman's pitch."

The word "pitch" immediately puts an individual on the defensive. It's almost an obscene word when aligned with sales. We in the life insurance profession call our men salesmen, field underwriters, or agents. This, of course, depends on the company, and these gentlemen and ladies are in every sense of the word professional people. The word "pitch" would no more fit them than oil would mix with water.

The more respect given to sales people the more business will boom and you will soon find that nothing has really happened to salesmanship.

BERNARD SPRINGER
Director of Sales Promotion
Security Life and Accident Company
Denver, Colo.

### Up in the air

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# Executive Trends

- **Business finds new training tool**
- **Should you bring in outsiders?**
- **Where to look for useful ideas**

**Teaching machines** are a new twist in business training.

A number of major companies already are using microfilm projectors, viewscopes and other mechanical teaching aids, and interest in such devices is growing. Forty training directors, research officials and other industry representatives will discuss the applications of teaching machines at a special conference this month at the American Management Association Academy in Saranac Lake, N. Y.

Use of the machines now centers around technical functions, such as quality control in manufacturing, but the machines can be adapted for instruction in general management, marketing, forecasting, planning and other less technical subjects. Most machines present programed information to the student and give him an opportunity to answer questions. He then queries the machine to determine if he answered correctly.

Advocates of teaching by machine say it cuts training time as much as one third, permits students working overtime or traveling to catch up easily when they return, and gives students a better grasp of course material.

• • •

**You may find** your company can more profitably and efficiently manage some of its operations by farming them out to organizations better equipped to handle them.

An example is the growing use of on-the-job banking services. Lawrence E. Kreider, an officer of The American Bankers Association, says more than 100 banks currently are making these services available to their business clients.

The services include processing by the bank of company payrolls, a measure which, among other advantages, reduces employer bookkeeping and accounting expenses and cuts absenteeism by employes wishing to transact personal bank business.

Under this plan, the employe—instead of getting a paycheck from his company—receives a notice that his earnings are on deposit with the bank.

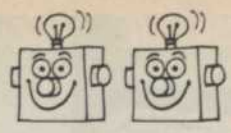
• • •

**If you're planning** to recruit a key executive from outside your company be sure to weigh the effect his entry into your business will have on men already in your ranks.

Consideration of the impact newcomers can have on insiders is a major factor in successful recruiting, according to Wardwell Howell of the executive search firm of Ward Howell Associates, Inc., New York.

Mr. Howell says it is risky to bring a young man into a firm in a top job. The reason: Older men in the company may lose heart if they see a much younger person placed over them. They will reason that their own chances for advancement are substantially lessened by the

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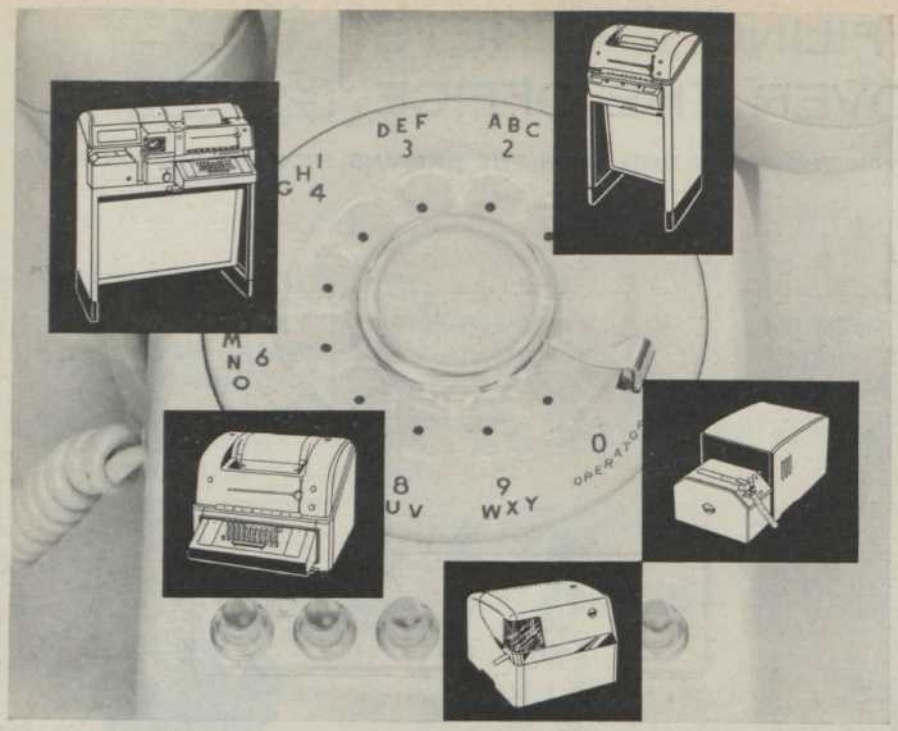
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# Teletype equipment in Data-Phone service

All Teletype sending and receiving equipment—page printers, tape punches and tape readers—can be used in Data-Phone service, the new Bell System method of data transmission via regular telephone lines.

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A growing number of firms are already using Teletype equipment over Data-Phone circuits. For example, companies that purchase large quantities of airline space place orders by phone, then receive tickets on Teletype printers right in their own offices. With this method, tickets are received faster, messenger service is eliminated, and records for accounting purposes are automatically provided.

Teletype Corporation manufactures page printers and tape units such as the Model 28 equipment illustrated above for the Bell System and others who require the utmost reliability from their data communications facilities.

If you would like to investigate the advantages of Teletype equipment for your business, write to Teletype Corporation, Dept. 12G, 5555 Touhy Avenue, Skokie, Illinois.

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## EXECUTIVE TRENDS

*continued*

presence of a young man who is likely to be around long after they have retired.

There are times, of course, when the exceptional talents of a younger manager override the possible adverse effects of his coming on board.

Note: Mr. Howell, and other recruiters, report a definite upturn in executive job openings, particularly for men at the presidential level and immediately below. (Improvement in the executive job market generally runs ahead of an upswing in the economy. A drop-off in demand for executives usually begins well after a downturn is under way.)

• • •

**Your business** stands to benefit increasingly from business-oriented research conducted at the nation's universities.

On many subjects, from personnel management to financial strategy, university research can be a fruitful source of information and ideas.

To illustrate: Report published by National Science Foundation lists research projects with business tie-in now under way or recently completed in universities, private foundations, nonprofit research institutions and associations.

Here's sampling of projects, and their estimated date of completion: "Creative Management" (1962); "Technological Change and Administrative Processes" (1962); "Organization of Research and Development in Decentralized Companies" (1961); "Economics of Invention" (1963); "A Study of the Origin and Growth of New Enterprises" (1962).

National Science Foundation can supply you with additional information.

Also, it would pay to keep in touch with colleges, universities, research organizations near your office for reports on their business-related research.

Item: Small Business Administration in Washington has a document which describes 2,298 business and economic research projects completed or in process at universities. Copies may be purchased for $3.50 from U. S. Government Print-




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# GREEN PASTURES FOR ELSIE

Few cows have ever had it quite so good as Elsie. Surveying the world from her private pasture in upstate New York, she has seen the Borden's line broaden to include 1000 different products. The food packages alone sell at the rate of 3½ billion a year.

And, although she may not entirely approve, she has seen the Borden's label on a diversity of new non-milk products—everything from clams to plastic garden hose.

But Borden's still owes it all—or a lot of it—to Elsie.

Elsie's placid mien is due, in part, to protection by INA—Insurance Company of North America. INA is the pioneer in "packaging" insurance into simpler, broader and much more economical coverage. This "package" concept—plus experience, flexibility and billion-dollar assets—has made INA the leading insurer of American business large and small. Why not put INA to work for your business?

In your personal coverage, too, INA "packaging" offers simpler and more economical coverage for your home, your car, yourself. Your INA agent or any broker will gladly explain how. Call him—and get acquainted with INA.

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## EXECUTIVE TRENDS

*continued*

ing Office, Washington 25, D. C. Title: "A Survey of University Business and Economic Research Projects."

• • •

**Folly of height?** Executive hiring authority Frank Stacy says industry generally won't hire sales trainees unless they are at least five feet, ten inches tall.

The discrimination against short men is so serious, Mr. Stacy asserts, that he has advised counselors in his division of Drake Personnel, Inc., Chicago, not to refer short men to sales openings until some relaxation of the ban develops.

Mr. Stacy—himself a mere 5 feet 6 inches—says industry is losing the talents of many good men because of the "foolish" criteria of height. He blames this "cult of giantism" on the mistaken belief that tall men possess overpowering personalities which help them clinch sales.

Mr. Stacy adds: "Baldness can be an asset in business . . . it seems to inspire confidence and trust." But if you are both bald and short, he warns, your chances of making a favorable impression on a prospective employer are small indeed—particularly in the field of selling.

• • •

**Yanqui, si!** Executive recruiters handling assignments for Latin American companies report Latins prefer to hire Americans for top jobs, rather than nationals of other Latin American countries.

One recruiter explains: "An Argentine firm would rather put an American into a top slot than a Chilean." Intense, often emotional internation rivalries south of the border account for this, he says.

• • •

**If you make** an attitude survey in your firm, be sure to follow through on what you find.

This tip is offered by the National Industrial Conference Board, which recently completed a study of 155 companies which have made surveys of employe attitudes.

Steps in a follow-up, according to the report, include assigning responsibility for action to specific individuals or to committees, taking action wherever possible, establishing a timetable for later action, and relating remedial measures to survey findings.

In addition, an increasing number of companies are finding it helpful to go back to their employes for more information.

It is a rare company survey, NICB says, that does not show the need for more employe information in such areas as company policy, pay practices, benefit plans, or in other areas. Generally, employes want to know more about how the company is doing, and would like to be kept better informed of their supervisors' opinion of their work.

• • •

**Advertising** carries the brunt of recruiting efforts in England.

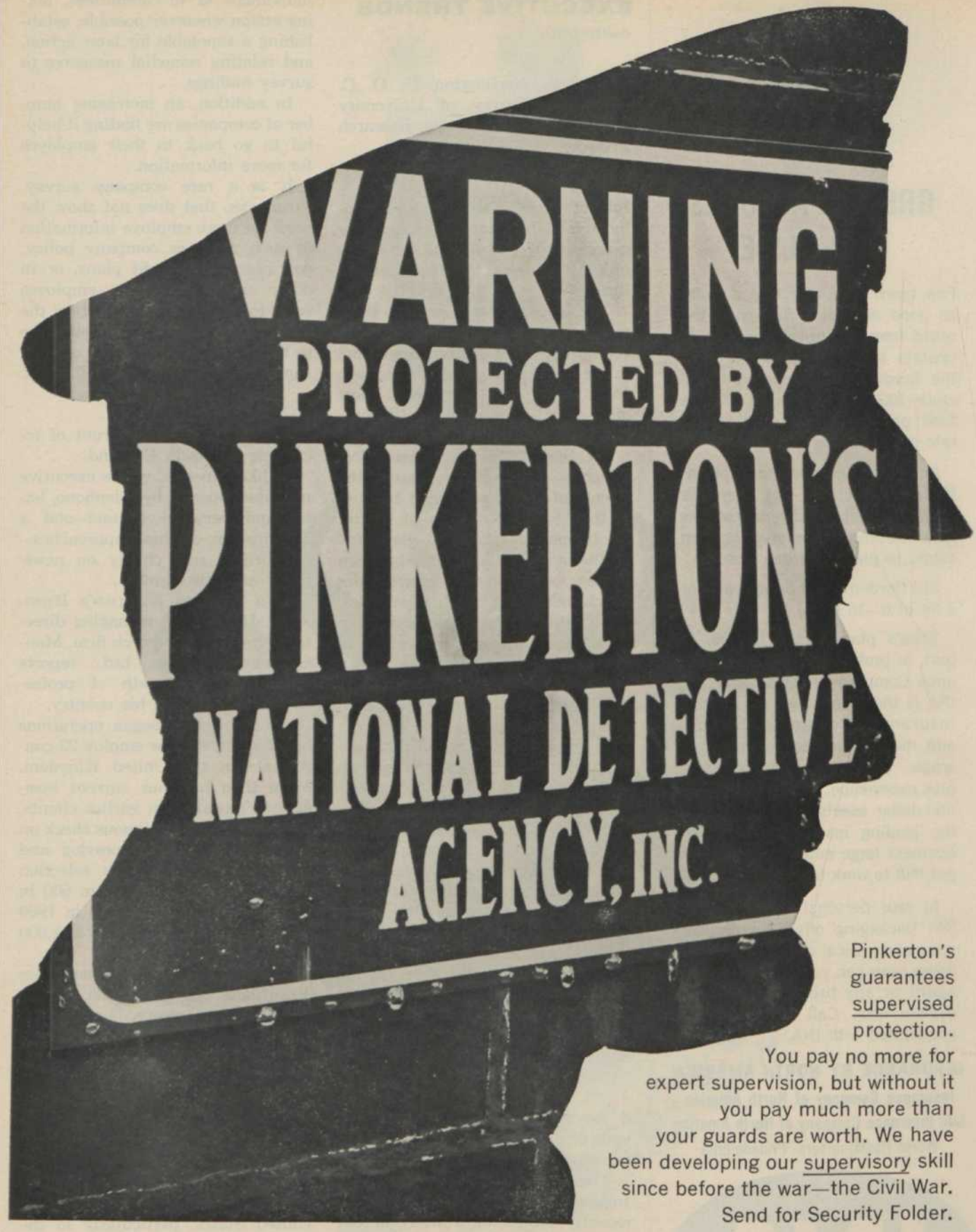
Unlike America, where executive recruiters operate by telephone, letter and personal contact—and a combination of these approaches—the British rely chiefly on newspaper advertisements.

In a letter to NATION'S BUSINESS, H. E. Roff, managing director of the London search firm, Management Selection, Ltd., reports "quite rapid" growth of professional recruiting in his country.

"Our company began operations in 1956 and we now employ 23 consultants in the United Kingdom. More than half our current business is repeat from earlier clients. We also keep a continuous check on the advertisements appearing and the posts advertised by selection consultants have risen from 600 in 1958 to 900 in 1959, 1,350 in 1960—with a probable estimate of 1,800 or more in 1961."

Mr. Roff attributes reliance on advertising not to English custom or sense of propriety, "but to [the fact] that we have made that a most effective medium by much better quality advertising on a regular basis and keeping our advertisements to jobs mostly at 2,000 pounds per year or more."

Mr. Roff adds that job-switching by executives has generally less acceptance in England than in the United States, particularly in the upper echelons. "In England, until relatively recently," he writes, "there has been a strong feeling that it is rather disloyal to consider leaving firms at the top end." **END**




Pinkerton's guarantees supervised protection. You pay no more for expert supervision, but without it you pay much more than your guards are worth. We have been developing our supervisory skill since before the war—the Civil War. Send for Security Folder.

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# World problems force Kennedy to change

BY MERRIMAN SMITH

LESS THAN 48 hours before President Kennedy departed on his recent trip to Paris, Vienna and London —it was, in fact, his forty-fourth birthday—he spoke to a Democratic fund-raising dinner in his home town of Boston.

One of the co-chairmen for the traditionally loud and hoarsely hollered affair was the local sheriff who recently had been indicted for not conducting his office properly. The sheriff was introduced to the large and festive audience of 5,000 persons and received a rousing ovation before the President arrived.

President Kennedy, on the eve of his momentous meetings with Soviet Premier Nikita S. Khrushchev and French President Charles de Gaulle, naturally was tense and preoccupied with the international scene. His back ailment had produced some recent days of discomfort and he was weary, too, from hours of reading the voluminous preparatory documents for his trip abroad.

When his turn came at the end of a long evening of fire-breathing partisan speeches, the President, his hair still damp from a rain-soaking he received while driving to the hall, spoke not of politics. He talked instead about peace and his efforts in that direction; of his determination to conduct himself in the international arena calmly and without weakness or retreat; of the connection between his mission and the welfare of all Americans.

As the evening ended, some of the Massachusetts Democrats were less than satisfied.

"He didn't say what the people wanted to hear," said one participant in the party rally. "He never once mentioned the sheriff and that's the main thing people around here are interested in right now. This stuff about peace and Europe is all right, but . . ."

A member of the group traveling with the President exploded.

"You idiot," he shouted. "All Kennedy is trying to do is save you from being burned to death by the H-bomb and yet you want him to concern himself with some small politician whose name isn't even known 25 miles away."

The other Democrat was unmoved.

"You people get to Washington and you lose contact," he said. "You get up there in the clouds and forget what interests the rest of us."

Be it fleeting and superficial, this brief banquet hall exchange gets to the bottom of a problem seriously concerning Washington this summer. The problem has to do with the interlocking nature of foreign and domestic matters.



*President finds too much interest in courthouse politics, not enough in need to counter Kremlin*

The decision on spending from four to five billion dollars each year in foreign aid invariably dominates Congress as the House and Senate begin to drive toward adjournment. It is most difficult for many members to view the overseas economic and military assistance programs with badly needed detachment. This difficulty stems from the widespread parochial

*Merriman Smith, White House reporter for United Press International, has written four books on the United States presidency.*

interests not only of their immediate constituents, but of vast sections of the population.

There was a time in this country when the diplomatic and domestic affairs of government were widely separated, but this is no longer the case. And President Kennedy is finding parochialism one of the more difficult aspects of the presidency.

The chief executive and his administration leaders have found that they must expend more effort in attempting to put across the urgent idea that the situation in Laos or the failure to negotiate successfully the long-sought ban on nuclear testing can involve almost every segment of the American domestic economy.

Much the same situation applies to the racial situation in parts of the South. It is hard to convince deeply emotional segregationists that a few rocks thrown at a bus in Alabama can cancel for an indeterminate period the dividends, if any, of millions in American-aid dollars spent in one of the emergent African independencies.

Another example is Latin America, where the United States is now reaping the sour harvest of having too long regarded her neighbors to the south as nice enough—as long as they remained well behaved and not too pushy. American manufacturers know that Latin Americans can be highly valued customers, but not if the customers feel that the merchant regards them with a down-the-nose manner.

The President, himself, has been rearranging some attitudes of his own.

• • •

Intensely political creature that he is, Mr. Kennedy finds himself this summer having to spend increasing amounts of time on international problems that come rolling up on our once-distant shores in angry, crashing succession.

Last year during the campaign and the subsequent planning days before the inauguration, the President seemed determined to hold personal diplomacy to a minimum while he devoted the early phases of his Administration to essentially home work. Now he has found that this is not entirely possible or even desirable.

His June talks with de Gaulle and Khrushchev, plus the side trip to London to bring Prime Minister Harold Macmillan up to date, convinced President Kennedy that such endeavor can be illuminating without producing signed and sealed agreements.

The Americans who saw the President in action against Khrushchev were almost lyric in their admiration for the manner in which the chief executive not only stood his ground, but punched back at the Soviet leader without railing or becoming wastefully abusive. There was some fairly solid evidence that Khrushchev departed Vienna with no idea of having been up against a kid.

If not the success, because this will remain debatable for some time, certainly the experience of Paris and Vienna will lead President Kennedy to other getting-acquainted meetings overseas in the not entirely distant future. South America, Africa and Southeast Asia are indicated as coming areas for personal explorations.

Whether and when these missions develop must depend on numerous external conditions. Time is one of the principal factors. Also, the degree to and the manner in which Khrushchev and the communist bloc countries react with deeds to the words of Vienna.

• • •

As for the time factor, seldom has a President been involved in so many developing courses of action. In fact, Mr. Kennedy and his deliberately overlapping staff swing so rapidly from subject to subject that they sometimes give the impression of operating a mildly untidy White House.

Political adherence aside, at the six months' mark the Kennedy Administration still shows some need for tightening up the efficiency of day-to-day operations of routine government. Too frequently emphasis on the big play results in too little attention to detail. Hopefully, this could be chalked up in part to zeal which will become a bit more realistically harnessed with time.

For one thing, the Administration seems to be buying trouble for itself, and unnecessary trouble at that, by what appears to be a divergent policy on public information. Seldom has there been as much known, for example, about the inner workings of the White House and about the President, himself, while he is in the process of policy construction. At the same time, seldom has there seemed to be as much complaint about the drawn shades of the Pentagon.

Against the rather variegated background of Paris, Vienna, the hopeful home stretch for Congress, the checks and balances of the domestic economy, the demands of the new nations to be seen and heard and the tick-tock of communist-pressured crises across the southern half of the globe, Washington seemed mildly uneasy as summer began.

• • •

The Republicans appeared to be not quite sure of when and how far to go in attacking the Administration. This was due largely to the foreign situation. The G. O. P. had no trouble with its domestic targets, but there was no centralized or coordinated Republican approach to Democratic foreign policy.

One veteran Republican leader urged in the private councils of his party that Congress adjourn at the earliest possible moment.

"The people," he said, "have been talked to death for well over a year and the best thing we can do for the country is to shut up and go home as soon as we get the most essential legislation out of the way."

The President might be inclined to agree. His youth and vigor are not to be denied, but he has undergone some heavy shelling in his first six months in office, as have the chief officers of his government. They now need a time for desk clearing and review. They have consumed a rich supply of ideas and, having passed through this period of massive ingestion so symptomatic of most new administrations, they now need time for digestion.




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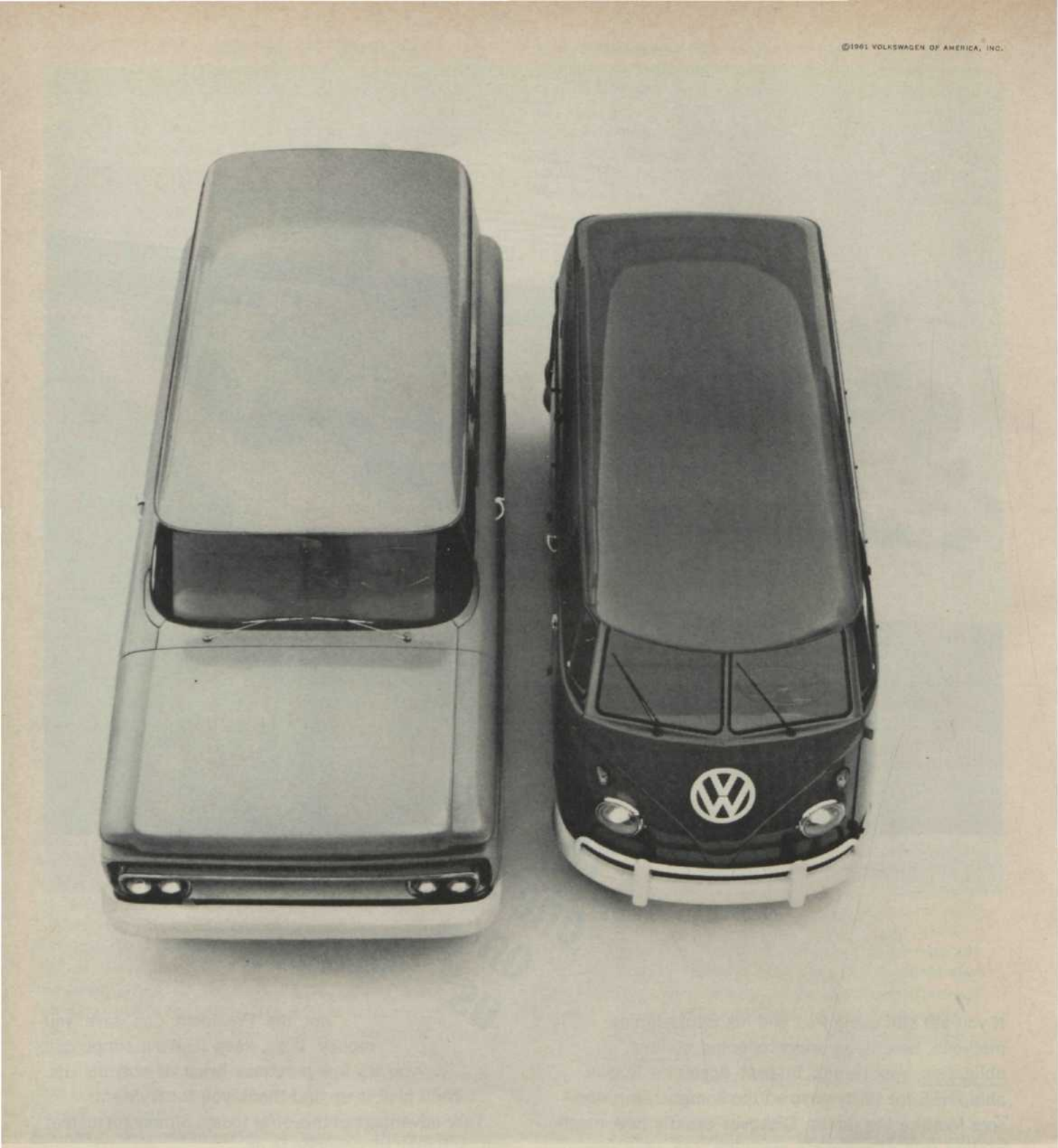
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We wondered, too.

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Incredible?

We can hardly get over it ourselves.

# Let's not close the idea gap

BY FELIX MORLEY

NOBODY grudges the billions spent to close the missile gap. So long as the taxpayer's money is not squandered, as it seemingly often is at Cape Canaveral and elsewhere, he will regard this expenditure as necessary insurance. The closer the military strength of the two great power alignments, the greater the probability of an enduring, if uneasy, peace.

But just as important as closing the missile gap is to keep the ideological gap between ourselves and the communists wide open. Little would be gained if, in mobilizing against the Marxist philosophy of completely centralized government, we become its converts of our own volition. Unfortunately there is all too much evidence that, while rising to the Russian level in rocketry, we are simultaneously sinking to it in our social and political practice.

• • •

A thought-provoking illustration is the current crack-down on those sturdy Amish farmers who, because of religious belief, refuse either to accept social security benefits or to pay the self-employment tax. To bring these protestants to heel, the Internal Revenue Service is now, in a number of cases, seizing and selling their work horses at public auction. As the Amish are also opposed to mechanical farming, these draft animals are their essential means of livelihood. In consequence, this group of hard-working individualists is contemplating emigration from the United States, for much the same reasons that their forebears came here, three centuries ago.

Since we permit conscientious objectors to engage in alternative service, one looks, but in vain, for a provision that would permit the Amish to pay some alternative tax. They too have a conscientious objection: to taking money they have not earned, even under a system which is deceptively called insurance. In times past this independent outlook was a customary American belief. In making its application felonious we have certainly moved toward the communist philosophy of individual regimentation by the state.

One need not rely on the difficulties of an obscure religious sect in looking for evidence of a growing conformity with centralized direction. If Amish farmers are simple unsophisticated countrymen, the same can scarcely be said of the graduates of Princeton University. At Princeton a thousand alumni gathered recently for a conference on "the imperative future of the University in the international field." The tenor of several of the addresses made was that Princeton should consider itself an adjunct of Big Government.

PIX, INC.



*Government is seizing horses of Amish farmers, whose religion forbids social security payments*

Thus one speaker proudly proclaimed that Harvard is not alone in having an "adult extension division

. . . on the banks of the Potomac. By latest count 932 Princetonians are today in government service. . . ." A faculty member then complained that he had been forced to return early from an official mission abroad "because I had an undergraduate course in economics that I was expected to meet." With equally unconscious humor a Princetonian in the State Department said: "We need an analysis of the many fingers our pluralistic society has in other peoples' pies."

Such an analysis is indeed needed, but not, as this alumnus maintained, to encourage the student in less developed countries "to identify his personal interest with those of his nation." That is very close to being the motive and purpose of communist indoctrination. It is certainly not the American academic tradition.

• • •

The original purpose of higher education in the United States was to train young men for the ministry. Our colleges were all founded on faith in an Authority a great deal higher, and more permanent, than that of politicians temporarily in office. We have so many small colleges today because every sect financed all it could in order to strengthen its particularistic creed. A few, like Princeton, have developed into great universities. In addition we have a public university in every state, simply because each of them wanted its own graduate institution to improve the quality of local citizenship.

That the private college and the state university should now alike be regarded as training agencies for the central government is a serious distortion in the line of American thought. It is close to, if not parallel with, the communist line and a high compliment to Soviet theories of education, where every university graduate is sure of government employment. By the same token this development signifies the loss of something vital in our national tradition—belief that the first responsibility of the educated man is to a code of personal honor that may even force him to resist what Shakespeare calls "the insolence of office."

The simple Amish farmers do not believe in higher education. And that prejudice would be justified if the end purpose of such training should ever become enslavement to centralized government. The Princeton alumni in conference had much to say about our responsibility to Congolese, Iranians and Laotians. But they ignored that uninfluential remnant of early American thinking who call themselves Amish.

• • •

One may be sure that at every Russian university there is much talk of "liberating" Laotians, Iranians and Congolese, along with complete myopia to the plight of Latvians or Hungarians. That is what happens when a student is intentionally trained to identify his personal interest with those of his nation. It means that, soon or late, constructive criticism of national policy is driven underground. And if that happens here, the ideological gap between U. S. A. and USSR will be closed.

Any tendency in that direction inevitably blunts our strongest weapon in the cold war. For that invaluable weapon is the uninhibited critical faculty which, when governmental policies become preposterous, will openly indict them as such and demand reform. In the communist countries such criticism is treasonable and, as one result, life in the Soviet zone of Germany is miserable as compared with that in the Federal Republic, where free enterprise flourishes and where Chancellor Adenauer will in September again submit his candidacy to the decision of uncoerced voters.

Freedom of electoral choice, however, is only a roof for the house of a free people. This cover can still stand, more or less leaky, after the foundations of freedom have been undermined by debilitating taxation, strangling controls, bureaucratic complexities and loose judicial interpretation of constitutional safeguards. Under economic "interventionism," as described by Professor von Mises: "The authority interferes with the operation of the market economy, but does not want to eliminate the market altogether."

The clear tendency, however, is for each plausible interference to be followed by another, and then by still others ever more permanent in character. Thus the distinction between capitalism and communism is narrowed, not so much through the acceptance of free enterprise in Moscow as by its repudiation in Washington. The "New Frontier," the evidence indicates, is one which extends the area of governmental coercion.

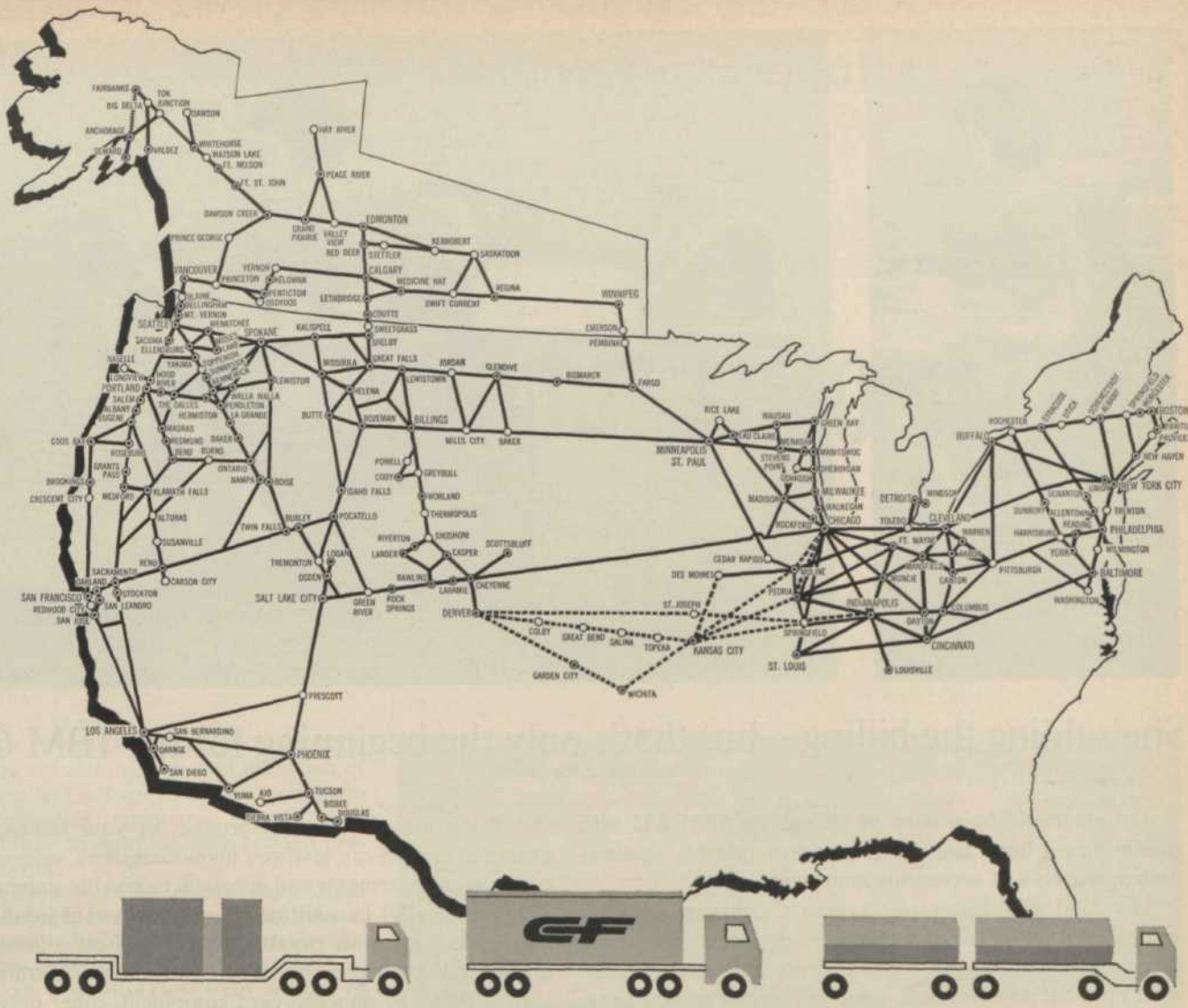
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A case now to the fore is the ceaseless proliferation of the foreign aid program. In 1947, the Marshall Plan was specifically designed to wind up in four years time. A decade after its assumed termination, essentially the same program, only on a world-wide basis, is continuously growing both in scope and cost. And the ominous development requested this year is that Congress in large measure relinquish its control over expenditures in this field, leaving the again rechristened Agency for International Development free to borrow directly from the Treasury.

This unchecked executive authority, says President Kennedy, "is of paramount importance."

The same freedom from legislative control, one must note, is also of paramount importance in the Russian foreign aid program, held up as a bogy man to scare the Congress into relinquishing its constitutional powers.

Whether the billions we have spent on this program have done more to strengthen or to disrupt the economies of underdeveloped countries is a matter of debate. But it is scarcely questionable that the permanence of foreign aid is one of the factors operating to narrow the ideological gap between our traditional system, and that of communism.




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The IBM 632 Electronic Typing Calculator does an outstanding job in the preparation of invoices, statements, purchase orders, ledgers, payroll forms and vouchers. But with optional punched card input and output attachments, it does even more.

With this new equipment, repetitive information (company names and addresses, product names, numbers and prices) can be entered into the IBM 632 on punched cards. Only variable information, such as quantity ordered, must be entered by the operator. All calculating and typing are done automatically by the 632. Clerical errors are reduced with a corresponding saving in typing and administrative time.

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## THE IBM 632

ELECTRONIC TYPING CALCULATOR



Makes accounting paper work almost as easy as typing.

# URGENT NEED: ALL-OUT AUTOMATION

## Internationally recognized automation authority **John Diebold** tells why America must achieve faster technological progress

AN OVERLY DEFENSIVE attitude toward automation and adoption of new technology threatens to impede America's economic growth and ability to compete with foreign producers.

This warning comes from John Diebold, author of the book, "Automation," one of the first authoritative examinations of the subject.

In this interview with editors of NATION'S BUSINESS, Mr. Diebold says government policy should be designed, not to slow the introduction of automation in business and industry, but to speed it.

He points out that automation, in the long run, will create far more—and better—jobs than those it eliminates.

At 35, Mr. Diebold is a veteran in a young and rapidly growing field. He is founder and president of The Diebold Group, Inc., an international management service organization with offices and clients in many parts of the world.

Here are his answers to important questions:



*Mr. Diebold is generally credited with coining the term "automation"*

**Some fear that increased use of automation will displace too many workers. Do you share this concern?**

I think current unemployment and fear of further unemployment through automation are causing us to be too defensive about application of technology to business and industry. This attitude is more dangerous than the risks of unemployment. It's dangerous because, if the United States is to be the leading country, it must lead in technology. For the first time in history, the rest of the world has the use of modern technology.

We don't have the time or economic cushion that we had with mass production.

**Are we keeping American industry from adopting automation and mechanization?**

All the public policy discussions with regard to technology and automation in recent months have been in terms of what must be done to insure that people are not hurt. This is an essential area of concern, but it ought not to be the primary concern of public policy. That concern should be: How do we encourage industry to apply and develop new technologies aggressively?

Technology is our only means of holding our own, much less pulling ahead in terms of the remainder of the world economically as well as militarily, in meeting competition from friendly nations as well as unfriendly ones.

**Is our need to meet cost competition?**

This is part of it, but that aspect has been overemphasized. We are entering a period of rapid technological change—more rapid than any rate we have known in the past. We will be doing new things, not simply doing what we are doing today more efficiently. It is more than

"Most application of technology over the next decade will be outside the factory"

## AUTOMATION *continued*

cutting costs. It is extending the range of man's capability.

**Are we behind now?**

We are not behind. We are leading, but there is every indication that we will not continue to lead.

You find, for example, that in Russia—and this is true throughout the world—automation has become an important part of the whole philosophy. It is a part of the Russians' current development program. A new institute has been set up in Kiev devoted to the application of technology to industry. Everything in the current environment encourages the application of technology to business.

**Where do the Russians stand in comparison with us?**

As with everything else in the Soviet economy, the area concerned with military weapons is much more advanced than the consumer area.

In the computer area the Russians have been doing first-class work. Their machinery is not as good as ours, but indications are they will make substantial advances.

**What does the technological race mean to the American businessman?**

It means the rate of change is going to be much greater than he has ever been used to. This affects his way of doing business as well as products and processes.

**Can you elaborate on that?**

Surely. Many long accepted business concepts will have to be changed or discarded. The science of management itself will undergo major changes, with much more emphasis on management's ability to plan for change and to plan as a result of change.

Specifically, here are just a few concepts that I believe will change:

Return on investment will have to be higher in these new fields in order to justify the increased risk. Conversely, business will have to take bigger risks for sufficient return when technological change is great.

Management may have to take a longer run view of profits.

Instead of planning for a fixed percentage return per year, it may well be necessary to reorient aims to a percentage of profit over a given business cycle.

The concept of overhead and labor productivity must change as the direct laborer disappears. Allocation of overhead costs must reflect the huge increase in productivity of some sectors of a business.

**What steps are necessary to give U.S. the needed spark to stay ahead?**

The atmosphere surrounding the use of technology in business has to be positive. At present, indications are that it is becoming negative.

**What are some of the drags on our advancement?**

The investment area is an important one. West Germany's tax system is a good example of creating an environment more conducive to putting in new plants.

In West Germany they allow a business to choose a short write-off period—in some cases a year—for a major plant. This encourages installation of the most modern technology. As a result, Germany is ahead of a lot of other countries.

**In addition to tax incentives, what would you recommend?**

We may need a public policy which is directed at leading in technology. There are a lot of components. You have to try to give as much stimulus as you can toward improvement in the educational system. In part this may mean development of a series of what the Germans call "hochshulen," where instead of trying to put a larger number of engineers through colleges and decreasing the quality of engineering training, you try to train technicians for technicians' jobs, and attach a fairly positive label to it. We have a lot of engineers doing jobs of technicians.

**Do you foresee significant changes in training to equip people to handle jobs in a more automated era?**

Yes. The role of education must change. You have to have continued education throughout life. You can't have it in one shot in the beginning. You have to have an orderly program. The unions could do something in this area, and it would be a valid role for them in the next decade.

**How can this country deal with union resistance to technological improvements?**

I think this is where public policy comes in. As much public backing as possible should be given to union-management relationships which make rapid introduction of new technology possible. It is important that the present efforts—either the Office of Automation and Manpower that Labor Secretary Goldberg recently established, or the legislation that will emanate from the House Labor Committee hearings on automation—do not result in measures which will control the rate of technological change.

**How should we handle the problem of the worker displaced by a machine?**

That's one of the basic problems. I don't think we know at present the extent to which people have been displaced. Most of the displacement, I am convinced, is not due to automation or to technology. The largest part is due to other factors. Most of the automation studies have shown a relatively small number of people displaced. These people have been taken care of in other

The faster progress in automation urged by John Diebold would require changes in tax laws governing business. For a report on the changes needed, see "Faster Tax Write-offs Ahead" on page 72

jobs. Certainly the last recession wasn't caused by automation.

**What is the cause of structural unemployment, people without jobs during prosperity?**

I am sure part of this is automation. I don't mean to hedge on this. It seems to me that the new automation bureau in the Labor Department should try to determine what unemployment has taken place thus far through technological change and in what direction the change is going and what the probable consequences are.

I think it is difficult to say that a specific number of people are being rendered unemployed because of automation. What is happening is that many jobs are changing and most jobs will change over the next decade.

**Can you illustrate this?**

At the shop level you have a number of people operating machines. Then you put in an automatic line which takes on a lot of these operations. The kind of job changes. You have a number of jobs opening for people who will tend that machine. You have jobs closing for the people who were operating the specific individual machines. So the nature of the work changes.

**Does this imply a need for retraining?**

Whether you have more or less training varies with the plant. Where you put in a computer, you tie a lot of controls together. You may require more people to operate the new system. You may put this in to improve the productivity of the capital and substantially increase the yield of the plant. You may decrease the number of people who work in the metal-working shop, but you may experience an increase somewhere else.

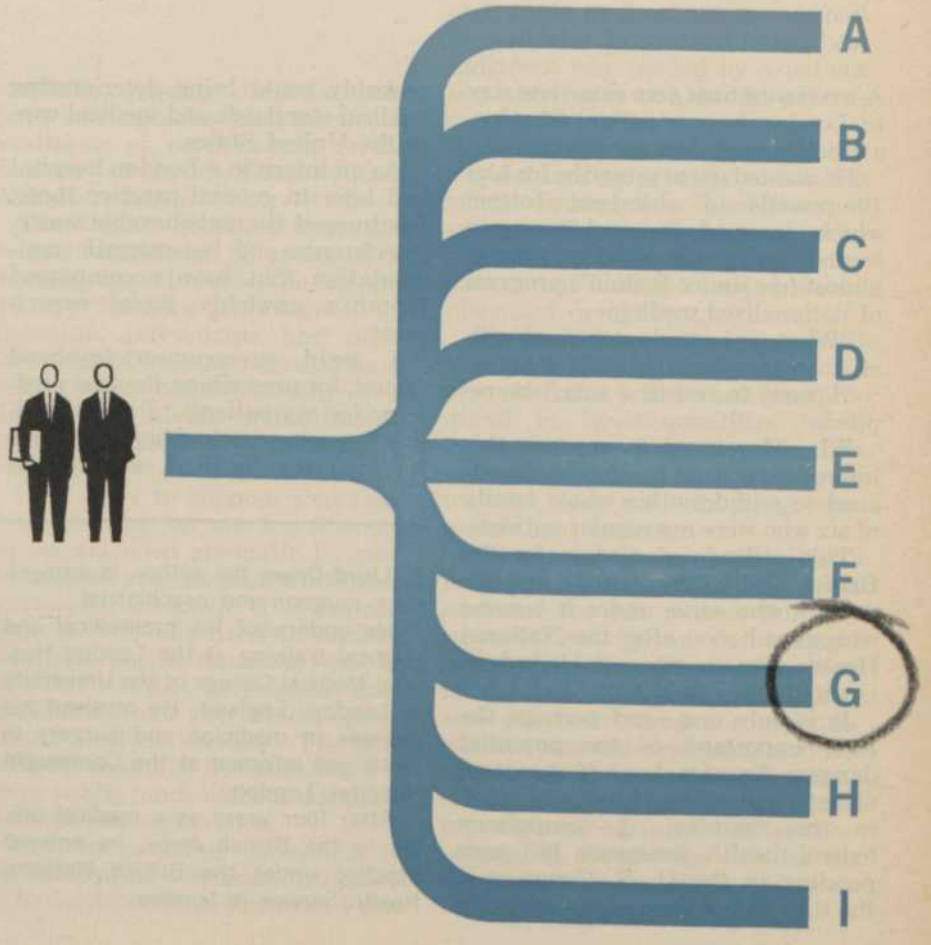
**Looking to 1970, could you forecast how the jobs of company executives might be changed by these technological improvements?**

First, you have to look at the technology to determine this. Thus far we have gone through a first phase in the application of this whole area of information technology. The American Telephone & Telegraph Company estimates that, by 1970, its income from business machines communicating with one another from city to city will exceed its income from voice communications city to city. You are going to change middle management's role almost completely. At

*(continued on page 58)*




With computers, same number of engineers who once could weigh only a few alternatives can now provide management with multiple choices



# Dr. Dawe:

# I QUIT SOCIALIZED MEDICINE

## Doctor reveals potential dangers to America's health if government runs medical care program

A CURIOUS DEMAND came one day in London from a patient of mine, a middle-aged factory worker.

He wanted me to prescribe for him 10 pounds of absorbent cotton, which is used in packing open wounds and which could be ordered almost free under Britain's program of nationalized medicine.

"What on earth do you want with all that absorbent cotton?" I asked.

"I want to restuff a sofa," he replied.

When I refused to approve this improper request, he angrily threatened to withdraw his whole family of six who were my regular patients.

This attitude of disdain for the British health care program and the doctors who serve under it became widespread soon after the National Health Service was established in Great Britain in 1948.

It is only one—and perhaps the least important—of the potential dangers America faces if a system of nationalized medicine is adopted in this country. A compulsory federal health insurance bill now pending in the U. S. Congress is the thin end of the wedge that quite probably could bring deteriorating medical standards and medical care in the United States.

As an intern in a London hospital and later in general practice there, I witnessed the unbelievable waste, interference and bureaucratic regimentation that have accompanied Britain's unwieldy social experiment.

I paid government-imposed "fines" for prescribing the best medicine for my patients. I spent anxious hours in search of hospital space for the critically ill. I saw hospital grants frivolously spent on television sets and new carpeting.

Practice under the National Health Service soon became intolerable for me, as it has for thousands of British and European doctors who have left their countries to practice in America. I, too, chose freedom and came to the United States to practice under what I firmly believe is the best existing medical system in the world today.

Politicians who favor enactment of new federal medical care in the U. S. today are making the same

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**E. Lloyd Dawe,** the author, is a physician, surgeon and psychiatrist.

He underwent his premedical and medical training at the London Hospital Medical College of the University of London, England. He received his degrees in medicine and surgery in 1948 and interned at the Connaught Hospital, London.

After four years as a medical officer in the British Army, he entered practice under the British National Health Service in London.

In 1955, Dr. Dawe took up residency training in psychiatry at Warren State Hospital in Pennsylvania and the Fairfield State Hospital, Newton, Conn.

He is now in full-time private psychiatric practice in Danbury, Conn., and is a member of the staff of Danbury Hospital and consultant to the Danbury Mental Health Society. He is also a member of the Medical Advisory Committee of the Bridgeport, Conn., Museum of Art, Science and Industry.



WERNER WOLFF, BLACK STAR

wishful promises and tranquilizing assurances that were heard in England 13 years ago.

Americans should heed the lesson taught in England, and guard well the high medical standards and freedoms they now possess.

The proposed medical care legislation now at issue in Congress would provide for payment of hospital, nursing home and home health services to aged beneficiaries under the social security system. Providers of the health care would have to agree to meet specific government requirements. They would be paid by an increase in the social security taxes levied on employers and employes.

Abraham Ribicoff, Secretary of Health, Education and Welfare, who would administer the proposed law, has been widely quoted as saying that the legislation would not authorize government supervision or control over the practice of medicine, the manner in which medical services are provided or the selection or compensation of those offering the health care services.

However, the bill itself states that hospitals, nursing facilities and home care agencies must meet such conditions of participation as the Secretary of Health, Education and Welfare requires.

The Health Secretary says that doctors would not be included in the program. However, the bill specifically includes pathologists, radiologists, physiatrists and anesthesiologists working in hospitals or serving the hospital's outpatient clinics. The bill also would include interns and residents in teaching hospitals.

It is naïve to suppose that once this legislation became law it would not be extended gradually to cover all medical practice and health care services for the entire U. S. population. It is equally naïve to suppose that government financing will be provided without government control and ultimate government operation of medical services. The government would be irresponsible if it spent public funds without adequate controls and supervision.

Innocent-sounding provisions of the medical care measure can prove to be far different in practice. I saw similar provisions as they were applied under Britain's National Health Service.

For example, the pending medical care legislation limits the drugs and biologicals that will be provided for patients to those included in the U. S. Pharmacopoeia, National Formulary or New and Non-official Remedies.

In Britain the amount and kind of drugs were also restricted for the general practitioner. Only doctors on the staffs of hospitals initially could prescribe new drugs not listed in the British Pharmacopoeia or National Formulary. Government-licensed drug houses supplied medicines, which the general practitioners were supposed to prescribe by their generic name.

### *How he faced fines*

Nearly every week, either the doctor with whom I was in practice or I would be fined because we had prescribed a drug which in our best judgment was needed by a patient but which was not on the government's official list.

Once I was charged for prescribing a drug that actually was in the official listing. I pointed this out rather acidly to the bureaucrats who had erred. The charge was remitted, but I never received an explanation or apology.

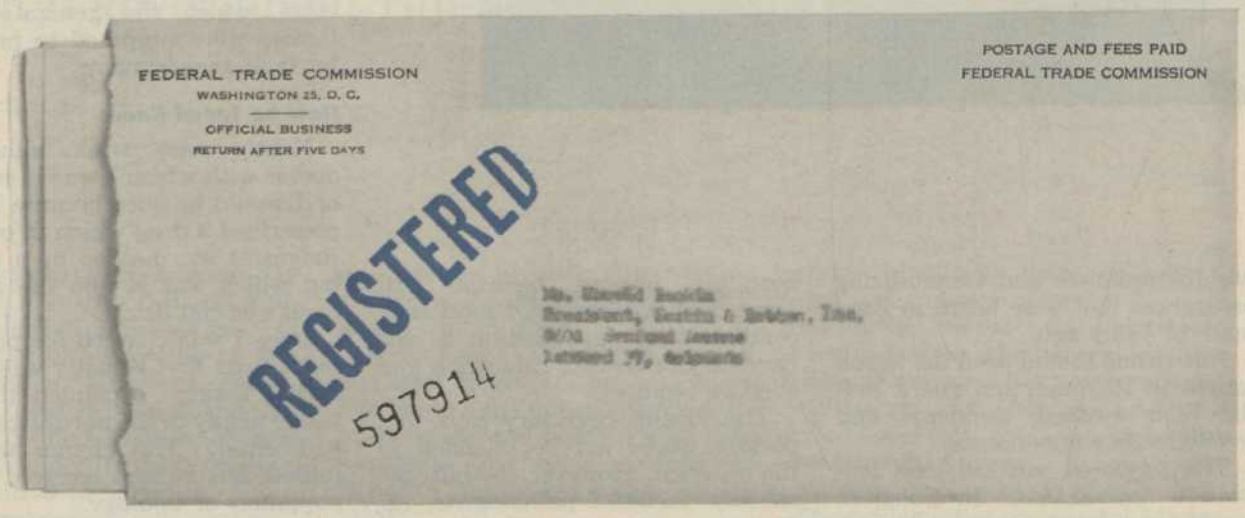
On another occasion I discovered that Luminal, a brand name for phenobarbital, which was being produced in large quantities by a private firm, was actually less expensive to obtain than the phenobarbital being made in the government's drug houses.

The restrictions on a physician's judgment to prescribe the best medicine for his patient fell particularly heavily on the younger doctor. For instance, the new man in the field might prescribe a new and expensive drug for arthritis, whereas the older physician might order aspirin. Since the government levied a charge on doctors whose prescriptions exceeded a certain percentage of the average cost for the particular area in which they prac-

*(continued on page 44)*

# MAIL ORDER PROSECUTION: WHO'S NEXT?

## Letters from Uncle Sam seek to trap businessmen




BUSINESSMEN all over the country are receiving registered letters requiring them to reveal trade secrets, names of customers, suppliers, and any other information official curiosity may suggest.

The letters come from the Federal Trade Commission. They are sent under authority granted by Congress nearly a half a century ago for the purpose of compiling corporate statistics. So broad is this authority that you can be ordered to tell every fact about your business since the time it was founded. You may be required to supple-

ment your corporate history with copies of all advertising materials, leases, contracts, bills of sale, invoices and memoranda—confidential or not. And if your company is a small family-held corporation, you may be required to inform on your wife or children—or they on you.

The law provides $100 a day penalty for failure to reply on time and fines up to $5,000 and 10 years in jail for false or incomplete answers.

Paul Rand Dixon, the new FTC chairman, cites a Supreme Court decision that such reports may be required "for any purpose within the duties of the Commission."

This means, he says, that they may be used "whether merely to obtain information for use in reports to the President, Congress, the Attorney General or to determine whether a violation of laws administered by the FTC exists."

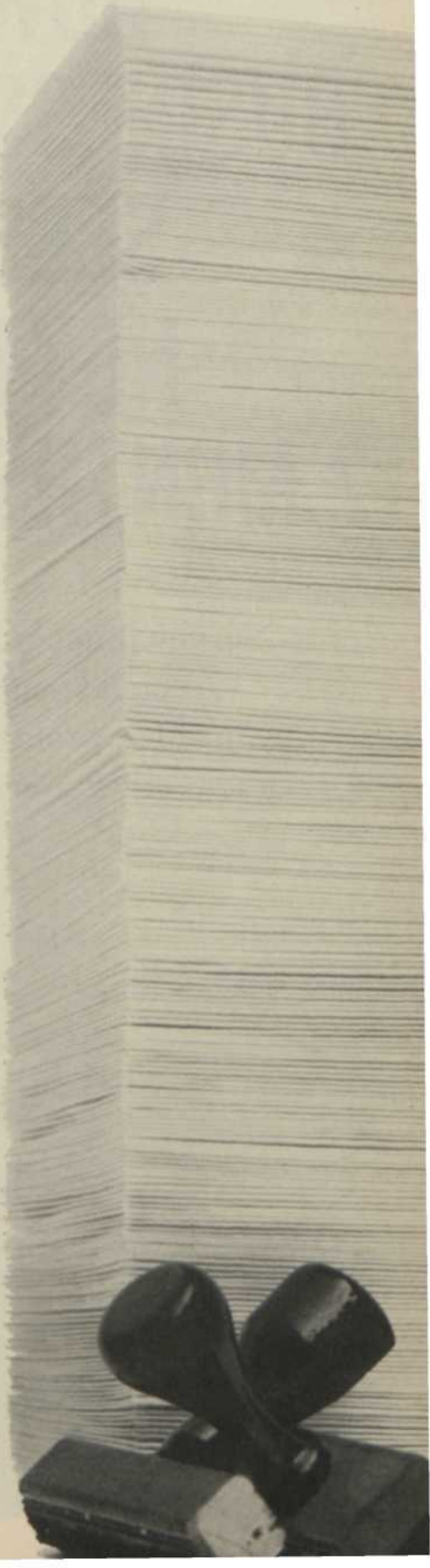
The fact that the FTC has asked $9.6 million for the new fiscal year—up from $8 million for the year ended June 30—suggests the latter purpose. In submitting its budget, the Commission predicted an increase in pending investigations from 2,000 to 3,500 and a boost from 800 to 1,000 in the number of formal complaints it will issue.

In an early test of the mail order technique, it sent 118 letters to orange growers in Florida. The result was 47 suits against shippers and 21 against buyers.

It is now harvesting questionnaires sent to 213 department stores in the middle of March. Soon it will be examining similar returns from the photographic industry. So far, most targets have been retailers but FTC laws and regulations are so broad that almost any business might be queried.

Furthermore, the system has aroused the interest of other government agencies. Now the Department of Justice is asking Congress for power to order businessmen to produce any information it wants.

Defenders of this system of mail order investigation argue that the innocent *(continued on page 42)*



*Lowell B. Mason, the author, is a former long-time member of the Federal Trade Commission.*

# HOW BUSINESS SEES NEXT 12 MONTHS

Survey pinpoints expected trends in sales, profits, and other areas

BUSINESSMEN, confident the recession is past, foresee more sales and slightly better profits in the twelve months ahead.

This is the outlook disclosed by a NATION'S BUSINESS survey of 226 highly placed executives in a broad range of major companies throughout America. Those answering include 122 presidents.

Of the business leaders participating—

► Eighty-six per cent expect sales of their companies to rise between now and mid-1962.

► Seventy-three per cent believe prices of their products or services will remain at about present levels.

► Eighty-six per cent expect profit per dollar of sales to rise or remain the same over the next 12 months.

► Seventy-two per cent report they will spend more or about the same in the next year for expansion, modernization and other capital items.

More than 69 per cent of the executives participating in the midyear survey characterized themselves as optimistic over general business prospects. However, analysis of their comments discloses a considerable amount of qualification. Factors accounting for this include: the uncertain world situation, union pressure on wages, hard-core unemployment, the federal government's spending policies, and the need for tax reform to spur investment.

The survey confirms the view of most economists that the economy is in an upturn, but one which has yet to demonstrate the full scope of its vigor.

Some representative comments:

"Industrial production should experience a slow upward trend during the balance of the year."

"Expect economic recovery to continue modestly."

"Business recovery is well *(continued on page 56)*

**Five presidents view the future.** More than 200 top-ranking executives—including 122 company presidents—participated in the Nation's Business survey of business expectations for the coming 12 months. Here's how some presidents of companies in such varied fields as banking, manufacturing, and insurance answered key survey questions:

**Your estimation of next 12 months**

69.5% of all replying were optimistic



"Present indicators point to a continuing improvement, with the previous peak to be passed within the next 12 months and continued improvement after that."

James J. Nance, President
Central National Bank of Cleveland

**Do you have profit improvement plans?**

84% have such plans



"We are planning increased scientific and technological effort, major cost reduction programs and research into new and advanced marketing techniques."

Edward A. O'Neal, Jr., President
Chemstrand Corp., New York

**What do you expect of the '60s as a whole?**

Most expect growth, punctuated by periods of readjustment



"I expect a steady rise through 1962, then a mild recession resulting from inventory correction, followed by a steady, moderate growth through 1968."

R. F. Erickson, President
Rayonier, Inc., New York

**Do you look for more inflation?**

Majority foresee more inflation



"Yes. (It will stem from) government fiscal and monetary policies and pressures of organized labor for wage increases beyond productivity increases. Also, because of broader, so-called social legislation."

C. J. Zimmerman, President
Connecticut Mutual Life Insurance Co.
Hartford, Conn.

**Is there a need for more effective policing of business ethics?**

On this, opinions were split



"Yes. Companies should set up effective internal controls to insure the highest degree of compliance with ethical and legal standards."

R. O. Hunt, President
Crown Zellerbach Corp.
San Francisco

# REDS USE TRADE TO SPLIT WEST

## Space feats hold attention as economic war grinds out gains

COMMUNISM'S most dangerous long-range threat to the free world is being overshadowed by more spectacular Red thrusts.

Cuba, Laos, Viet Nam, Berlin, the Soviet cosmonaut grab the headlines. Each is an important, if perhaps temporary, facet of the communist strategy. Almost forgotten, however, is the slow, grinding Russian economic campaign against the West.

This attack is aimed at splitting the free world and trapping the former colonial peoples in the communist empire.

In their own eyes, the men in the Kremlin are men of destiny, ordained to steer the world toward the promised land of the communist social order.

All communist leaders agree on this. They agree also that, before capitalism can be made to vanish, the nations of the West must be weakened and discredited.

As long as the West continues to exist and prosper, the work of communist strategists will be difficult. Such a family of nations, self-confident as well as generous, cannot plausibly be exhibited as specimens of a dying social order. Moreover, as long as the industrial societies of the West continue, by their productivity, to diffuse the benefits of economic progress to ever wider segments of the population, they represent an indictment of the communist method of social management.

The West, in short, must disappear.

Beyond that, however, Russia's rulers since 1917 have had their own personal prescriptions for inducing the death of capitalism. Lenin assured his followers that capitalism would collapse as the inevitable result of the Bolshevik revolution in Russia. After all, he argued, industrial workers in Europe and North America were more numerous than in Russia. They lacked only the force of example. The Russian revolt would bring forward, everywhere in Western Europe, new leaders ready to seize power and establish the dictatorship of the proletariat.

Stalin lived long enough to know better. He plotted the end of capitalism by a somewhat different route. In his last published essay, in late 1952, Stalin proclaimed that the collapse of the West was made inevitable by the shape of the world that emerged from the second World War.

One third of the world's population and a vast mass of the earth's surface was under communist rule—permanently lost to capitalism as a market, he reasoned. A reduced market must force reduced industrial output. This was certain to bring unemployment, discontent, and severe social strife in the capitalist countries.

At the same time competition for sales in the shrunken world market would sharpen commercial rivalries among the western nations, Stalin thought. Such rivalries could not help but break out in war, followed by violent social revolutions and the collapse of the capitalist societies.

Stalin's political heirs found the scheme grossly oversimplified. They saw no evidence that the western world was in decay. Instead of shrinking,

the foreign commerce of the West was expanding. Most disturbing of all, the former colonial nations maintained strong economic ties with the West. The two halves of the noncommunist world behaved as complementary parts of one international economy.

***Mr. K saw two dangers***

To Khrushchev this kind of economic behavior carried two dangerous possibilities:

First, if Soviet policy continued aloof, the newly emerged countries might stage what one worried Soviet expert called "a gigantic take-off" into industrial growth and economic diversification. Before long, economic opportunity could dry up the breeding grounds for communism in one country after another.

Second, strong economic activity in the developing countries would increase their needs for equipment as well as their purchasing power. The West possessed the type of machinery the new countries would need and would enjoy expanding markets.

Khrushchev decided to respond to this threat. Within three months after Stalin's death, the Soviet government adopted a policy of active intervention in the economic life of the noncommunist world. The goal: to drive a wedge between the industrialized West and the newly emerged communities.

Khrushchev's fascination with the economic weapon was not, at the beginning, shared by his more orthodox colleagues. They did not hesitate to voice their skepticism, as long as they had a voice.

The argument went like this:

*Orthodox communist:* "You tell us that some countries outside the camp of socialism deserve our economic help. But these countries are basically capitalist. If we help them economically, and they make real progress in the living conditions of the masses, this will bolster their faith in capitalist principles and delay the coming of communism."

*Khrushchev:* "I can assure you, comrade, that your fears are groundless. The former colonial countries cannot make capitalism work under their specific economic conditions. Economic aid from abroad cannot change basic conditions. The people of these [emerging] countries will become more and more convinced that socialism, not capitalism, is their immediate future. Lenin taught us never to lose sight of the political direction of any of our activities. When he conducted political propaganda among the workers of Russia 60 years ago, the workers were bent on pressing a number of specific demands for improving their economic lot. Lenin knew that such economic reforms would not solve the basic problems in Russia. He knew that the fundamental problem was political, and only an armed revolt against the capitalist system would solve it.

"So what did Lenin do? He associated himself with the workers' economic demands. In doing this, he gained their confidence as a friend, a fighter for their cause. Once he and his party gained the workers' trust, they were in position to proceed with their prime task, which was to direct the workers' economic actions *(continued on page 53)*



## **Take** a good look at this man.

He is being groomed to succeed Nikita S. Khrushchev as boss of the world's communists.

The man's name is Dimitri S. Polyansky. He is Prime Minister of the Great Russian Republic (RSFSR), largest of the so-called republics in the USSR and a territory embracing the capital city of Moscow.

NATION'S BUSINESS has learned that Khrushchev is coaching Comrade Polyansky to take his place in the event of Khrushchev's death or withdrawal from public life.

Only 43, Polyansky's star has been rising fast. He is a member of the Presidium, top command unit of the Soviet Communist Party, and a man who knows his way around in the critical field of agriculture, the weakest link in the Soviet economy.

From what is known of Polyansky here and in other Western capitals, he is garrulous, flexible, and possesses great political savvy. One observer describes him as "in many ways a carbon copy of the old man." He visited the United States last fall as head of a delegation of Russian provincial officials.

Polyansky, by Khrushchev's reasoning, would give the communist world a young, handsome ruler who could offset the youth and attractiveness of U. S. President John F. Kennedy—or at least demonstrate that the communists also have young, aggressive leaders.

If he should become the leader of the communist world, analysts predict he would follow policies closely akin to those pursued by Khrushchev.

An authoritative report by the staff of the

# HOW'S BUSINESS?

## today's outlook




### AGRICULTURE

Farm production expenses for 1961 are expected to run slightly above 1960's record $26.3 billion.

The U. S. Department of Agriculture foresees higher expenditures this year for machinery, feed, replacement and feeder livestock, fertilizer, interest, real estate taxes and utilities. Little change is expected in spending for labor, building materials and pesticides.

A part of the increased expense will come from slightly higher prices. Moderate increases are expected in wage rates, farm machinery prices and possibly feed prices. Farm real estate taxes continue to mount as state and local government expenditures grow.

The other part of the increased expenditures will result from stepped-up demands for labor-saving machinery, fertilizer, and livestock feed, as farmers become more specialized. Although interest rates on new loans may be lower this year, total interest payments on farm mortgages will be somewhat higher than in 1960.

### CONSTRUCTION

Competitive pressures, resulting from increased use of prefabricated structures and factory-made components, are resulting in efforts to increase productivity in on-site construction.

Improved operating procedures and increased use of power equipment are generating some productivity gains. Labor could take a major step toward improving the industry's efficiency by instituting programs to train individual workers in two or more of the building trades.

For the worker, this procedure would, in the short run, provide the opportunity for an increased number of weeks of work per year, and, therefore, for increased income.

Through the coming era of rapid technological change, it would prepare the worker to take ready advantage of new developments which might arise in not one, but several, fields of employment.

Such added labor flexibility could reduce seasonal employment fluctuations and increase long-run stability.

### CREDIT & FINANCE

A bill asking new spending authority for fiscal 1962 totaling $4.75 billion in foreign aid has been causing quite a stir in financial circles, as well as Congress. The bill, S. 1983, comes in two parts: "Act for International Development of 1961," and "International Peace and Security Act of 1961."

A total of $2.8 billion is being requested in fiscal 1962 for the Act for International Development. This amount includes (and here we find a new concept in lending management) authorization to re-use about $287 million which is expected to be received from dollar repayments of previous foreign loans. It includes authority to borrow $900 million from the Treasury for development loans, and a military assistance request for $1.9 billion for fiscal 1962.

The proposal to re-use money repaid on all outstanding foreign loans is a new approach to the backdoor spending technique. This financing method could deprive the Treasury of $1.5 billion in revenue. It would also remove the use of these funds from congressional control.

### DISTRIBUTION

With 1961 sales of retailers and merchant wholesalers off two per cent and four per cent, respectively, from last year's figures at this time, what is the sales outlook for summer and early fall?

On the whole, it's good.

A private trade survey in 101 U. S. and Canadian markets shows that retailers see business at least equaling or slightly surpassing last summer's sales.

Sixty-four per cent of the merchants look for better sales, 27 per cent expect about the same volume as a year ago, and nine per cent anticipate a drop in sales.

Another report shows a bright prospect for fall apparel sales. At the New York June market display, showrooms reported that buyers were writing orders early.

Furthermore, consumer confidence, while not exuberant, has recently revealed a tendency to rise.

The foundation for moderate

optimism within the distributive trades is the increase in personal incomes. These incomes, according to the U. S. Department of Commerce, now total $410 billion at an annual rate.

## FOREIGN TRADE

One of the controversial aspects of the tax package offered by President Kennedy to Congress would make far-reaching changes in the tax treatment of income earned abroad by American firms operating overseas.

The proposal would tax earnings retained abroad by foreign subsidiaries in "economically advanced" countries instead of waiting until profits are distributed to the parent company in the form of dividends.

The claim that this proposal would enlarge tax revenues and reduce the balance of payments deficit is open to question for these reasons:

1. Taxable remittances on repatriated earnings of foreign investments each year continue to be larger than the outflow of new funds going into plants abroad.

2. The establishment of overseas plants means the export of U. S. machinery, equipment, and other supplies, thus creating additional jobs in the home plant.

3. U. S. private investments abroad help stimulate economic growth, lighten the burden government aid programs place on the U. S. taxpayer, and create foreign markets for U. S. goods.

## GOVERNMENT SPENDING

As the government enters fiscal year 1962, prospects for a substantial budget deficit are mounting. When President Kennedy sent his budget messages to Congress in late March, he predicted a deficit of $2.8 billion. Subsequently, as specific spending proposals were transmitted to Congress, Administration officials began to express the belief, privately, that the President's estimate of the deficit was "obviously too low—perhaps by half."

As nearly as can be estimated, Mr. Kennedy's 1962 budget requests are in the $90 billion plus area with still more to come. Mr. Kennedy will undoubtedly ask major increases for space exploration—particularly for a manned flight to the moon within the decade. Administration officials put the price tag on this feat at $40 billion.

In this setting, barring a tremendous upsurge in revenue, a deficit of $6 billion or $7 billion for the new fiscal year seems likely.

## LABOR

Those welfare or pension funds to which you contribute may be investigated and analyzed by the government.

Present law simply requires disclosure of plans and benefit details so beneficiaries can do their own checking or policing.

Labor Secretary Goldberg told several House committees that present law doesn't give the beneficiaries enough assurance that funds will be available when needed to pay off. He testified that there may be abuses in funds and wants broad powers to prevent them.

The proposed law, H.R. 7235, permits the government to publish particulars on adequacy of funding, types of investments and method of operation.

At hearings on the bill opponents said there was an abundance of federal laws to deter abuses. Additionally, criminal and civil recourse is available in the 50 states under specific criminal statutes or where suit may be started against negligent or imprudent conduct.

## NATURAL RESOURCES

Private lands across the nation are being threatened with acquisition by the federal government for recreational purposes. There is building up a distinct threat to rights of private land ownership and decision as to resource use, loss of local tax base, and limitation on the beneficial use of natural resources. Hundreds of bills in Congress propose acquisition of private lands for national parks, seashore, recreation and game and fish areas. At least 4.6 million acres of private lands could be taken.

The proposals conform with Interior Secretary Udall's recent statement: "This Administration is definitely committed to a tremendously expanded outdoor recreation program for the United States."

Outdoor recreation is primarily a local and state responsibility. Many recent studies show that large industrial land owners are making lands available to public use.

## TAXATION

The House Ways and Means Committee has settled down to the massive job of digesting the testimony of more than 250 witnesses on the President's tax message.

Generally speaking, the tax proposals offered by the President met rough opposition from all quarters. Business interests came out overwhelmingly against the investment tax credit plan, favoring instead a genuine reform in depreciation allowances.

Labor was against the plan, terming it a financial prop that American enterprise does not need.

Faced with such opposition, it is highly unlikely Congress will pass the investment credit plan this year. While there is a chance for legislation on the President's other recommendations, indications are that Congress will brush aside piecemeal legislation in favor of major tax reform next year.

However, it is too soon to rule out action to improve our depreciation system this year. At any rate this year's discussion enhances the chance of passage in the future.

## TRANSPORTATION

Storm signals are flying for the nation's common carrier transportation systems. Many of them are facing a serious crisis due to continued low profits, increased costs, and intense competition. For instance, in 1960 all systems combined had an average annual rate of return of less than three per cent, with the railroads at 2.1 per cent.

Thus, the extreme difficulty of common carriers in attracting capital becomes obvious when they have to compete in the money markets with industries earning returns more than three times greater.

One of the major causes of this crisis is the switch by many shippers to private carriage, plus inroads in the traffic of regulated carriers through exemptions from regulation. Hearings have been under way in the Senate to determine how to meet this problem. The outcome may be some tightening of regulations of exempt carrier operations, and perhaps some relaxation of common carrier regulation.

## PROSECUTION

*continued from page 35*

businessman has nothing to fear and that the guilty deserve to be caught.

Mr. Dixon has said that the best way for businessmen to avoid trouble with the FTC is to know, understand and obey the trade regulation laws. But he conceded:

"I am aware that this is not an easy task because many trade practices are neither black nor white but gray, and many depend for their legality or illegality on the factual context in which they occur, which varies from market to market and from producer to producer."

It's a violation of these laws, for example, for any seller to make or buyer knowingly to obtain, payment of promotional and advertising allowances not granted on equal terms to all competing customers.

In the normal, day-to-day dickering in business such unequal allowances are obviously made—some perhaps deliberately, many others innocently.

How is a buyer to know whether his supplier is providing exactly the same terms to all customers?

How is a seller to determine whether two of his customers are competitors?

Few businessmen can reveal every conceivable fact about their companies to unfriendly critics without raising questions about their practices.

Nor are laws against self-incrimination any help. The man who relies on the Supreme Court's assurance that a defendant has the right to know what he is charged with and to confront his accuser has only to look in the mirror.

The Fifth Amendment offers no protection, either, because the Commission's inquisitions are labeled "Resolution Directing an Investigation of Practices Employed by Corporations."

Technically, not individuals but corporations are the legal target, although Basil G. Mezines, former associate executive director of the FTC, admits:

"This is not so. In many ways these orders are more drastic than a large fine because the orders are usually issued against individuals responsible for the condemned practices as well as the firm itself. These orders are binding for the natural life of the individual or firm concerned. Any person who violates a Commission order to cease and desist after it becomes final can be fined up to $5,000 for each violation."

An analysis of the first six months of the latest published reports of the Commission decisions, for 1958, shows:

Orders to cease and desist from practices the FTC didn't like were issued against 117 corporations. But 216 individuals, either as officers or policy-making employes, also were named and made personally liable for the rest of their lives to penalties up to $5,000 a day for any violation of those orders.

The orders also apply against all representatives, agents, and employes of the companies. The argument that mail-order prosecution is directed only at corporations ignores the fact that a corporation has to act through its employes—even when it is time to go to jail.

### *How practice got started*

What is back of this wholesale inquisition?

Some government officials claim the reason is that federal agencies get caught up in an exciting numbers game. Each new bureau head seeks to top the prosecution score of his predecessor.

Certainly the history of the FTC is that it supplements its hard-core complaints involving important restraints of trade and advertising misrepresentations with a host of litigated trivia. This gives more body to the annual request for more appropriations from Congress.

It will be easier, of course, to reach new records now that the Commission has established its mail-order production line.

It's cheaper, too, than sending out investigators to find out who's violating the rules.

As Mr. Dixon points out, it also "tends to place all members of the affected industry on an equal basis." This reasoning would lead a policeman to lock up everyone in town any time he suspected a robbery had been committed.

Strangely, the United States is one of the few free nations in which a person may be required to convict himself. Britain abandoned the Star Chamber after a lowly citizen named John Lilburn defied it in the year 1683, with these words:

"I am not willing to answer you to any more of these questions, because I see you go about by this examination to ensnare me; for, seeing the things for which I am imprisoned cannot be proved against me, you will get other matter out of my examination; and, therefore, if you will not ask me about the thing laid to my charge, I shall answer no more."

The FTC is confident most businessmen won't risk similar defiance.

One official puts it this way:

"The owner-managers of colonial days were men who would risk their personal fortunes in the cause of liberty. Not so with today's businessman. While he risks his own fortunes in a fight for liberty, he will not chance the capital investments he is steward of. Companies are not organized to fight for liberty."

If this is true, it is too bad because some excellent weapons are at hand.

### *Best safeguard*

The greatest weapon against inquisition is the psychic, almost physical, revulsion against forced self-accusation which is innate in all of us.

We feel it in talking with lawyers, in and out of government, who see in it all they learned to hate in law school.

It is evident in the bitter, five-to-four decisions of the Supreme Court which have condoned extension of the state's authority of inquisition through administrative agencies. We find Chief Justice Earl Warren opposing such rulings. As the Supreme Court has said:

"Ours is the accusatorial system, as opposed to the inquisitorial system." (Government) "must establish its case, not by interrogation of the accused even under judicial safeguards, but by evidence independently obtained through skillful investigation."

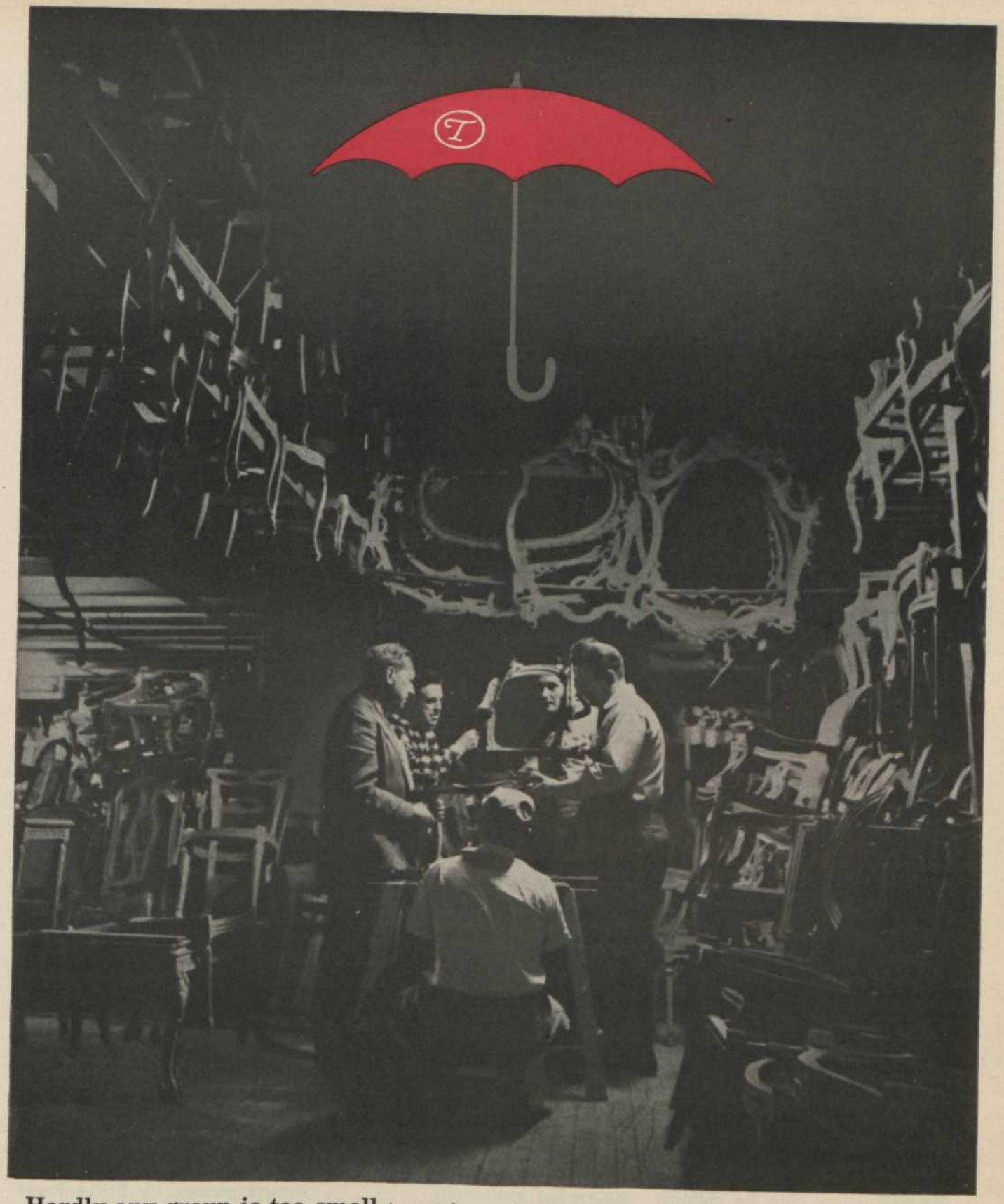
President Kennedy gave voice to the feeling of revulsion in his inaugural address:

"We dare not forget today that we are the heirs of that first revolution . . . proud of our ancient heritage and unwilling to witness or permit the slow undoing of those human rights to which this nation has already been committed, and to which we are committed today at home and around the world."

Congressmen, though some are critical of business, have no stomach for the curtailment of human rights. The sincere legislator knows that he cannot trade man's liberty for the golden goals of statism.

Our Anglo-Saxon ancestors used parliamentary methods to break the back of the Star Chamber, where questioning never ended until the victim accused himself of something for which he could be punished.

This new version should be vulnerable to the same attack. **END**



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## DR. DAWE

*continued from page 33*

ticed, the physician who prescribed the more expensive medicines suffered financially.

It became natural for a doctor to hesitate to prescribe certain drugs when he knew it would cost him money. It was difficult enough to get by on the restrictive compensation the government allowed.

A physician in general practice was paid a fixed fee per patient per year no matter how frequently he saw the patient. To earn a living of about $4,000 a year he had to see approximately 100 patients a day. Medical specialists were attached to hospitals and paid a salary by the government.

I have a friend who has a rural practice in England still. He gets by only because he also has a chicken farm. His income from his chickens is greater than from his practice.

Since medical care theoretically was available to everyone at anytime, we were literally swamped with patients, many of them with trivial complaints or with no ailment at all. I remember one elderly woman who was in and out of the office three or four times a week. This old dear lived alone and mainly wanted someone to talk to.

Free service to all naturally leads to overutilization. Patients and proper medical care suffer.

With the best will and intentions we could not give all the time we should have to our patients. The general practitioner tended to send any cases where diagnosis was difficult or time-consuming to outpatient departments of the hospitals. Less and less minor surgery was done in the doctor's office, since there was no time.

Besides the heavy patient load, the time spent on government paper work was fantastically high. If a man was too ill to work, he had to have a certificate filled out by his physician. For each week he was not on the job, a certificate was necessary, and another certificate had to be completed when he returned to work.

There were certificates for free milk or orange juice for children when this added nourishment was necessary, and complicated forms any time any one was treated who was not on a doctor's list of regular patients. Form-filling and correspondence with the government thus became one of the physician's major functions. He was reduced to the role of part-time clerk.

The lack of time to care for patients meant more of them had to be shunted off to hospitals. Doctors tended to lose touch with their patients when this happened as practically no general practitioners are on hospital staffs. The doctor could visit his patient in the hospital, but he got the uncomfortable feeling that he was in the way, because he had no responsibility for the patient then. The hospital staff was in authority.

When the patient was released, his doctor got a brief letter from the hospital saying what had been done, but this break in medical care continuity is hardly the best kind of treatment for the patient. Rarely, too, did the patient have any choice over who would treat him in the hospital.

The Secretary of Health, Education and Welfare and the politicians who support the medical care bill before Congress say that it provides free choice of either hospital or doctor.

> "British businessmen found that absenteeism in plants and companies nearly doubled the first year the National Health Service was in effect."

Under the National Health Service, patients not only had no choice of hospitals, they were fortunate to get accommodations at all in the jam-packed institutions.

I remember an elderly patient who fractured her hip. I spent more than three hours on the telephone before I could locate a bed for her, and it was in a hospital on the other side of London.

I remember, too, a 24-year-old woman who had a sudden cerebral attack. I believed it was neurological in nature, but I knew she needed a specialist for proper diagnosis. After four hours on the phone, I finally was able to get her into a hospital. A brain cyst was discovered. The young woman lived, but the wait had not helped her.

I remember, too, a man of about 60 who had a heart attack and was in a state of some shock. Two hours of phoning finally found hospital space for this emergency case. A central phone service finally was established which relieved this problem to some extent. But private or semiprivate rooms were almost unheard of. In some hospitals the crowded wards even had beds down the middle aisles.

Unless surgery was of emergency nature, up to a two-year wait was customary. I had several child patients with chronic tonsilitis who were on the waiting list for operations the whole year I was in practice in London.

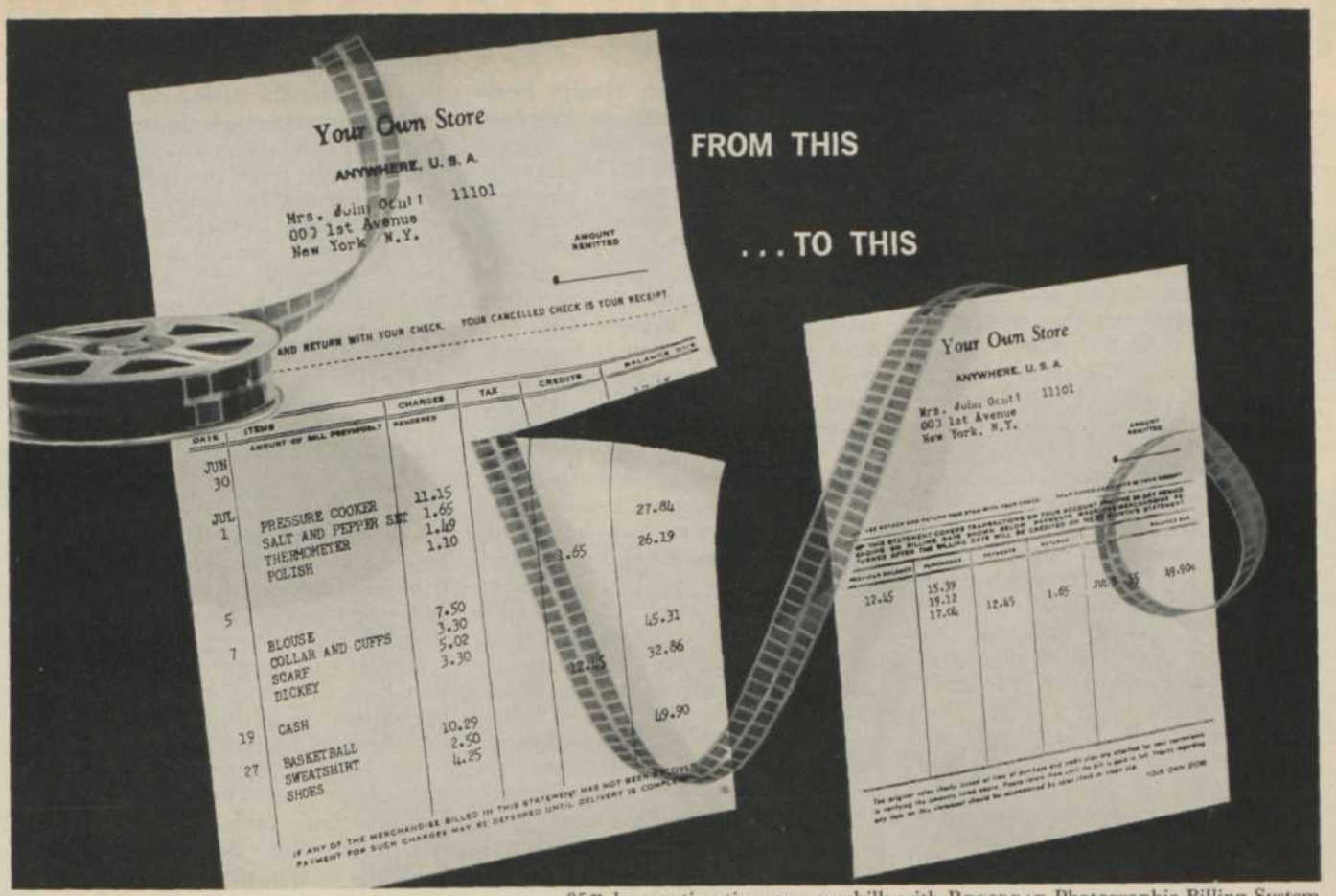
A major reason why the hospitals were so overcrowded was the heavy load of elderly patients, the very age group that the health care measure now before Congress would cover. Since hospitalization was free, many of the aged in Britain were shuttled off to the hospitals rather than being cared for at home by their families.

I appreciate that the aim of the aged health care legislation is to help a group of citizens who frequently incur heavy medical expenses. However, as a psychiatrist, I am convinced that the elderly person should not be encouraged in dependency. He should not be made to feel that he is a pitied ward of the state, a worn-out object of charity. Let us not destroy the self-reliant spirit. The older patient must have an incentive to keep living, to continue to be useful.

Existing legislation, enacted by Congress only last year, provides a program of care for needy aged who cannot afford the costs. But to encourage all the aged to give up their independence and become debit members of society, to receive doles regardless of need, could be a destructive influence on the older population.

Though health care of the elderly is often more expensive than that of younger persons, the British found that their attempts to improve the health services for the minority downgraded the services for the majority. There are even indications that the health of the over-all population was not greatly improved by the Service as such.

One might expect that, with health care available to anyone re-




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gardless of cost, the country would be healthier. However, British businessmen found that absenteeism in plants and companies nearly doubled the first year the Health Service was in effect.

The dissatisfaction with the National Health Service has been strikingly shown in the sharp rise in voluntary health insurance plans in Britain. When the Health Service first was established, private health insurance fell off drastically. But now those who can afford it buy private heath insurance because of the better treatment and benefits it assures, though the insured must also carry the heavy taxes that pay for the nationalized health plan.

The poor British taxpayer has been milked dry. The Health Service now costs more than five times the original estimate. One of the main reasons is that there are two or three government clerks for each doctor. On that basis, if the U. S. adopts a government operated health system, the federal government would have to hire nearly two million more clerks.

When the British Health Service began, the staff of the hospital where I was an intern seemed to double overnight. The signs of bureaucracy—excessive paperwork, overhead and impersonal treatment—were immediately apparent.

Hospitals apply to the government for block grants for operating expenses. If a hospital has any money left over when it has completed a fiscal year, the next year's grant is reduced by this amount. Naturally, this system encourages wasteful practices and penalizes economical hospital administrators.

I have seen hospital money spent for television sets, new carpeting and other purposes of a nonmedical nature just to use up remaining funds in a budget.

Patients and pharmacists were not guiltless either. Some patients had arrangements with their pharmacists whereby they would bring in a prescription for government paid medicine and use it instead to pay for cosmetics of an equivalent value. The waste and red tape might be worth the price if they assured the best medical practice and health care. However, bureaucratic administration brought outrageous governmental interference that discouraged and handicapped medical men. For example, these two incidents involved my brother-in-law. He, too, is a physician refugee of the National Health Service and is now practicing in New Mexico.

One New Year's Eve, my brother-in-law received a message to make three house calls. There was no indication of an emergency nature. But by the time he reached the third house, the patient had already been sent to a hospital by another physician.

A complaint was brought against my brother-in-law and he was taken before a government Health Service tribunal that acted as prosecutor, judge and jury. A doctor under this situation is not even allowed representation. Though he pointed out that he had no way of knowing the patient was in an emergency condition, he was fined 50 pounds.

On appeal, the decision was overturned and justice was done, but it had cost him untold anxiety and loss of prestige, through the bad publicity of this star chamber procedure. He was not even able to sue for malicious abuse or on other grounds.

On another occasion, government inspectors who periodically check doctor's offices as to the condition of furnishings and even decor, demanded to see the living quarters of my brother-in-law which were in the same building.

I came to the United States because I sought the opportunity to practice medicine in a way that I thought best for both doctor and patient—without regimentation, restrictions and interference. I want only two people in the medical relationship—myself and my patient. There should be no impersonal governmental third party.

In this country I have found freedom of action and professional choice. Now I feel I am practicing in the best existing system in the world. It is not perfect. But we are striving to make it better. And the best medical care can be given only in the system where a doctor is not a government clerk but an individual with professional dignity and freedom. **END**

**REPRINTS** *of "Dr. Dawe: I Quit Socialized Medicine" may be obtained for 10 cents a copy or $7.00 per 100 postpaid from Nation's Business, 1615 H St., N.W., Washington 6, D. C. Please enclose remittance.*

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# What Kennedy farm plan would do to you

## Proposed program threatens to boost prices, wages, and taxes

EVERY BUSINESSMAN, as well as farmers and consumers, will feel the effects if Congress adopts the farm program the Kennedy Administration has proposed.

It would have radical effects on the farm business itself and the impact would fall directly on industries which serve farmers, including agricultural machinery, fertilizer, pesticide manufacturers, gasoline and tire producers, railroads, truckers, metal and paper firms which supply containers to package foods, and many others.

The inevitable increase in farm prices, reflected in the cost of living index, could easily touch off a new round of wage increases, while higher government subsidies to farmers promise new burdens on taxpayers.

Farmers would find themselves bound by government controls more sweeping than any they have known in the past.

Under some of these controls the farmer would be under compulsion regardless of whether or not he wished to participate in the program. Every farmer would be forced to comply under pain of heavy penalty.

And producers of commodities not controlled would be confronted by new competition as regulated producers shifted to uncontrolled commodities in order to make fuller use of their resources.

Exactly what the Administration proposals would cost in higher food prices and farm subsidies cannot accurately be estimated. The measure would set up machinery through which the Secretary of Agriculture could establish price and production control programs for each farm commodity. Its cost would depend on the commodity programs put into operation.

These are the dollars and cents considerations of vital concern to every citizen. Even more important in the long run, perhaps, is the way the plan would turn the traditional relationship of the federal government's legislative and executive branches upside down.

Members of Congress and some others have already raised questions of constitutionality.

The controls would be set up as follows:

In consultation with an advisory committee representing a particular commodity, but not bound by its recommendations, the Secretary of Agriculture would draw up a production and price program that would reduce supplies and raise prices for that commodity. The program would be submitted to Congress and, if not disapproved by that body, would go to a referendum of the commodity's producers.

The bill's principal aim is to raise farm income and thus end the cost-price squeeze which has been much stressed by farm spokesmen and others. Although gross farm income has ranged from $33 billion to $37 billion annually over the past decade, increased costs of what farmers buy have pushed net income down from $14 billion to $11 billion. Because of higher price supports, however, net income for 1961 is expected to rise to $12.5 billion.

To force farm income higher, the planners responsible for Administration farm strategy would establish a strong and permanent management of the farm

Administration seeks farm legislation which could permit Secretary of Agriculture Orville L. Freeman to extend price and production controls to any commodity, severely regimenting the farmer



WIDE WORLD

economy from the top down. They would do this by what is labeled "supply management," another name for production and marketing controls.

The intent of supply management is to limit the supply of a commodity enough to enlarge its gross value. If supply could be effectively managed, it is argued, gross farm income would be increased. This means establishing a monopoly in order to create monopoly profits from higher prices.

#### *Some consumers couldn't pay prices*

The result would be a relative scarcity with only enough supply for those willing and able to pay the higher prices. These are the consumers, some of whom would be priced out of the market.

The bill would also authorize the Secretary of Agriculture to make compensatory payments to farmers, which was a key provision in the controversial Brannan Plan. This would give the Secretary another price-fixing tool in addition to the present practice of supporting prices through loans to farmers and federal purchase of commodities. The prices of only 20 commodities are now supported. The Administration would give the Secretary the power to extend supports to any or all of the 256 commodities produced by U. S. farms.

Compensatory payments would be limited to commodities being controlled. They would be made directly to the farmer covering the difference between a "fair" price set by the Agriculture Department and the price he actually received in the market.

Compensatory payments, like federal farm support spending generally, would be financed through backdoor spending, by-passing the checkrein of prior congressional appropriation. Funds would come from the Commodity Credit Corporation, which now finances price supports through loans and federal purchases. The CCC borrows from the Treasury to carry out its operations and goes to Congress for an appropriation when it runs a deficit. Compensatory payments would make a deficit inevitable, and Congress would find itself appropriating funds after the money had already been spent.

Opponents of this sweeping federal intervention point out that the announced purpose of giving farm families parity of income with urban families is unrealistic. Never, as far back as statistics on such things are worth studying, has the per capita net income of the farm population been more than half that of the nonfarm population and it reached that level only in the 1947-49 period. In that golden age of agriculture, 1910-14, to which there is such nostalgic looking back, it was only 38 per cent.

Also, the emphasis on total net farm income is misleading. In the past ten years, the number of farms has declined by more than one fourth and the number of farm workers by 30 per cent. As a result, average annual farm income per worker has inched up to record levels in recent years—although it has not kept pace with the average earnings of factory workers who make the things the farmer buys.

That net incomes of farmers have not been better is due largely to rising production costs—"the cost-price squeeze." The farmer buys things because

## FARM PLAN

*continued*

it pays him to do so. For example, the use of machinery and mechanical power has increased more than one third in the past decade; farmers use three fourths more soil conditioners than a decade earlier. As a result, farm output has increased 25 per cent in a decade in spite of acreage limitations.

With capital—much of it in fixed costs—playing an increasing role in farm production, the farmer naturally seeks the greatest possible volume. This reduces his unit costs. Government programs designed to reduce his volume thus increase the cost of every unit he produces. This is one of the principal reasons why previous programs intended to limit output have failed.

To achieve parity of income for the farmer, government either would have to increase by 25 to 30 per cent the consumer's expenditures for products derived from farm commodities; reduce by more than 70 per cent the number of people deriving income from agriculture; pay a total subsidy to farm people equal to total current production expenses; or combine two or more of these alternatives.

Even if such drastic steps were practical, opponents of the plan would still object to the manner in which the bill proposes to accomplish them.

The proposed authority for the Secretary of Agriculture to write farm legislation and submit it to Congress for approval or disapproval is a reversal of our constitutional process in which Congress writes the laws and submits them to the President, who may exercise his veto power.

The serious implications of this proposal have been outlined by Republican Rep. Charles M. Teague of California, a member of the House Agriculture Committee:

"If it is a sound principle for the Secretary of Agriculture, with the advice of a group of farmers, to propose a program and submit it to Congress on a take-it-or-leave-it basis . . . why should not the same thing apply in other fields?

"Why should not, for instance, the Secretary of Labor with the advice and consent of a committee, let us say, made up of Mr. Reuther, Mr. Meany and Mr. Hoffa, do the same thing and submit it to Congress? If this is a good principle, why is it not good also for the railroads, with the heads of the railroads cooperating with the Secretary of Commerce?"

In his farm message, President Kennedy argued that Congress in the past has delegated some of its authority to the executive branch in the Reciprocal Trade Agreements Act, which permits the setting of tariffs, and the Reorganization Act, under which the structure of the executive branch can be altered.

Opponents maintain, however, that the broad delegation of legislative authority proposed in the farm bill is unprecedented. Grave doubts have been expressed by Rep. Charles P. Hoeven of Iowa, ranking Republican on the House Agriculture Committee:

"There is a complete delegation of authority to the executive branch of government in the provision of setting up the advisory committees and the unusual authority being given the Secretary of Agriculture.

"The Secretary selects the members of the advisory committee. The Secretary initiates the program. The advisory committees do not take the initiative. The Secretary promulgates the program and then gets the advice of his advisory committee members. The Secretary will set the committee's functions, and can dissolve the committee at his pleasure. In my judgment the Congress would simply become a rubber stamp.

"It seems to me that the proposal is a great departure from our constitutional process in separation of the legislative from the executive branch of government. . . . We have the Executive writing the legislation and the Congress reserving the right to approve or veto. In my judgment such procedure is unconstitutional."

Mail-order prosecution could next be aimed at you. For details on how it works, see page 34

### *Farm Bureau opposes*

The American Farm Bureau Federation, which represents 1.6 million farm families, also strongly opposes the authority which would be granted to the Secretary of Agriculture in drawing up commodity programs. According to Charles B. Shuman, president of the Farm Bureau:

"The authority of the Secretary of Agriculture would be absolute. The national farmer advisory committees proposed in this legislation are mere window dressing. Committee members would not be elected by farmers. Two thirds of them would be appointed by the Secretary of Agriculture, from nominees chosen by per diem employes of the Department of Agriculture who have a vested interest in the perpetuation and expansion of the programs they administer [members of the County Agricultural Stabilization and Conservation Committees, which manage Department of Agriculture price support and production control programs].

"The Secretary is to appoint one third of the committee members from appropriate farm organizations, but the term 'appropriate' is not defined. Nonfarm consumers are to have a single representative on each committee, but farmers who buy and use such products as feed, seed, and livestock apparently are to have no representation on the advisory committees appointed for such commodities." Advisory committee members would be producers of the commodity involved.

In support of the plan the Administration insists that controlling production will produce a modest rise in farm prices and that compensatory payments will further supplement farm income without accumulating the surpluses which have resulted from the present loan-purchase program. It hopes that the savings achieved by cutting storage costs will make this plan less expensive than the existing one.

Mr. Shuman, together with a number of other farm and business organizations, takes the opposite view. He says:

"The potential cost of the programs that would be authorized is far greater than the cost of existing farm programs, since the bill would authorize higher price supports, the extension of supports to all commodities and the use of compensatory payments.

"The basic thing wrong with the proposals is their emphasis on government planning, price-fixing, controls and penalties. The philosophy reflected in these proposals is contrary to the expressed desire of the great majority of the organized farm families of the United States for less—rather than more—government intervention in the operation of individual farms." **END**




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## REDS USE TRADE

*continued from page 39*

along a political route designed to lead to a communist revolution."

### *Poison on a global scale*

The implications of this debate have a direct bearing on the outside world.

The world at large, Soviet leaders contend, is the scene of an open and bitter struggle between the have and have-not nations. The have nations of the West are rich and powerful. But they derive their strength from exploitation of the weaker nations. The have-nots are poor and unorganized. But they have numbers on their side. Hence, they are potentially the stronger contestant. They could win, say the Kremlin strategists, if only they saw the political facts of life and followed the correct leadership.

Naturally the Soviet rulers are ready to provide the needed guidance. As long as they remained on the sidelines they were not in a good moral position to offer advice. Once they entered the field of economic aid, their right to advise was established. In principle, at least, the Soviet Union is now in the same league with the aid-giving free-world industrial nations.

For communist politicians, economic aid offers an excellent platform from which to pump ideas into circulation.

Every new Soviet aid agreement provides occasions for proclaiming the Kremlin's good intentions. Every stage in preparing an agreement is marked by a propaganda splurge.

All these occasions are used to drive home some political lesson from the Soviet manual.

### *Where aid goes*

In part Khrushchev's decision to intervene directly in the economic affairs of the noncommunist world was prompted by the growing strength of the USSR. Heavy industry, in particular, has been growing apace. The formula for plowing back new capital into the strategic industries began to pay off by the middle 1950's.

The best-known foreign aid projects of the USSR have been such complex enterprises as steel mills, power dams, machinery plants, cement mills, and oil refineries.

The seven-year-old Soviet economic aid program has been gathering momentum steadily. The number of countries reportedly involved in its bilateral aid agreements is a score or more.

Nine nations have received Russian credit commitments of at least $100 million. Among six lesser clients, the credit figures vary from $12 million to $40 million. The four largest recipients, India, Indonesia, Syria and Egypt, are the target countries where Moscow expects to make its main impact.

Soviet aid also has its role in overtly building tension. At least seven countries have received armaments on credit. The main beneficiaries have been Indonesia, Syria, Egypt, and Iraq. In the Middle East as a whole the arms credits opened the way for the economic assistance program.

By their own reckoning, the Soviets' program now embraces some 350 projects. Roughly half are industrial enterprises. Among the most prominent are: mining enterprises, 13; steel mills, nine; electric power stations, 12; machinery plants, 11; chemical plants, seven; oil refineries, six.

The Soviet Union is also associated with a wide range of assistance projects. These are for the most part eye-catching enterprises: railroads, highways, ports, hospitals, and sports palaces.

Another category of assistance includes technical schools and research institutes. More than 40 study centers containing Russian equipment are claimed to be in the works. Special interest is also shown in river development, aimed at providing new facilities for irrigation as well as electric power.

### *Soviet surpluses*

The question naturally arises: Does the USSR have a genuine surplus of the equipment and technical talent required for these foreign aid operations? All we know about the Soviet economy points to the judgment that equipment and technicians of all kinds are scarce.

The Russians solve this problem by assigning foreign aid projects a priority equal to that of a defense installation at home. In Soviet thinking, foreign aid projects make valuable strategic contributions to the political objectives of the USSR.

Because the government can decree any quantity of a choice commodity in "surplus" for export, Russia exports a number of articles that are extremely scarce at home. Soviet industry, for example, produces only 125,000 passenger cars a year. Yet, one third of these vehicles are exported. At the same time, countless Russians, cash in hand, wait three to four years for a chance to buy a car.

Tractors, too, are exported while farms at home are lined up on a long waiting list. Truck production is frozen at less than 400,000 a year. Nevertheless, trucks continue to be exported.

The same kind of diversion is practiced with grain, sugar, petroleum, timber, asbestos, paper, cotton textiles, silk fabrics, television sets, refrigerators.

### *Petroleum as a weapon*

To take one example, the Soviet economy has long been starved for petroleum, yet Russia exports some 10 per cent of its crude oil. The political planners apparently have singled out petroleum as a commodity that lends itself most effectively for use in the cold war.

The oil companies, to begin with, make excellent political targets. They are conspicuous, rich, and few in number. Hence, they are monopolies, by the Soviet definition.

The oil companies, moreover, operate in a number of underdeveloped countries. In spite of all the payments received, the poor countries have not improved the life of their citizens, the communist reasoning goes. Oil royalties, in short, have failed to make them rich.

The principal oil companies can easily be identified with western nations. By making them suffer economically, Moscow believes, it can seriously undermine the position of the West as a whole. The communists apply this pressure along two lines: to force the companies to pay more for the oil, and to reduce their earnings by cutting the price of Russian oil and oil products on the world market.

Another line of attack is aimed at forcing the companies out of the countries where they operate oil concessions.

In eight countries, sizable Soviet credits are financing oil projects custom-made to fit local needs. In some, such as India, Afghanistan, Pakistan and Egypt, Soviet technicians are supplied to prospect for oil deposits. In other countries, such as Syria, Iraq and Ethiopia, Soviet assistance is used to build refineries and train technicians to replace operatives from the West. Elsewhere, notably in Argentina, Soviet credits are extended to finance oil field equipment from the USSR, thereby reducing dependence on western sources.

Here is a sample of official reasoning on petroleum, from the offi-

## REDS USE TRADE

*continued*

cial journal *International Affairs* (July 1960):

"Oil concessions represent . . . the foundation of the entire edifice of western political influence in these [less developed] countries, of all military bases and aggressive blocs. If this foundation cracks, the entire edifice may begin to totter and then come tumbling down."

### *How far can Russia go?*

Clearly, the Soviet leaders intend to continue their economic offensive. Any sign of weakness in any independent country invites intervention. Any mistake by a western nation in any part of the world triggers a Soviet response. Whatever the problem, they have the solution. They can offer their services as buyers, as sellers, as brokers, as arms merchants, as bankers, as teachers. They also stand ready to design and build any type of installation, from hydroelectric installations to sports palaces.

Now more than ever they believe they are in a good position to entice the uncertain, uncommitted nations to the communist camp.

Such is the hopeful shape of the future from the Soviet point of view. How does its chance for changing the present balance of forces appear from our side of the world? To get a valid answer, we must try to view economic relations as the communist leaders see them.

They believe that the minds of men, their attitudes, actions and political institutions are influenced primarily by the economic forces around them. Accordingly, if they can control the proper set of economic forces, they can influence the political climate in a given country. Economic aid, therefore, is a unique instrument for initiating and supporting critical changes in the social life of the recipient country.

What is not clear, however, is whether the Soviet government is facing up fully to the hard facts of economic life. The Soviet Bloc does not now, and will not soon, possess the economic wherewithal to replace the West as a market for the emerging nations.

Today facts are working on the side of healthy economic cooperation between the developing nations and the West. By way of illustration:

1. The developing nations are vitally dependent upon foreign trade. They account for 30.4 per cent of total world exports. The Soviet Bloc absorbs, by contrast, only 3.5 per cent of all goods imported in world trade. The West buys 64 per cent.

2. Of the dozen primary commodities the less developed nations bring to the world market, the bulk is sold to the West.

3. In the case of several exports of the underdeveloped countries, the Soviet Union is a direct competitor in the world market. This is true of tin, petroleum, asbestos, phosphate, zinc, iron ore, manganese ore, and chrome ore.

4. In the Middle East, where Soviet penetration has made much headway, the dust is beginning to settle. Moscow cannot open its markets for their oil. Instead, the Soviet oil trust is pushing ahead with its announced plan to recapture 20 per cent of the lush oil market of Western Europe. This can be done only at the expense of Middle East oil.

What's ahead for the next year in business? Top executives in major industries give you their forecasts in the article on NATION'S BUSINESS survey, **page 36**

5. The needs of the new nations for development capital are enormous. One estimate places it at about $14 billion a year. All the hate mills in the world are not likely to persuade them to shut out of their lives the main active and growing source of such capital, that is, the West.

The record shows that the West has been contributing credits and grants to the developing nations at the rate of about $7 billion a year; the Soviet Bloc, only $700 million. The Soviets helped to build one steel mill in India; the West, three. Russia exported $500,000 of machine tools to India in 1959; three nations of the West, $50.8 million.

There is yet another set of forces that are certain, in the long run, to cancel out Russia's attempt to slip onto the emerging countries its own ideological strait jacket. These are the forces of nationalism. The new countries are not shopping for an ideology. They have confidence in their gifts for national self-government and their own system of values, their own sense of national purpose.

These intensely nationalistic people are not flattered by the fact that the Kremlin has a shiny package of substitute national goals ready for export to them. Nor are their governments made more secure by the knowledge that the Soviet leaders have a substitute government ready to replace them.

True, they need capital, and they welcome technical assistance from all sources, East or West. It is general knowledge, however, in such capitals as Cairo and Baghdad that, where Russia is concerned, it pays to be especially alert to assure that these gifts are delivered with clean hands.

The Soviet leaders' campaign to use economic weapons for political conquest has one more drawback.

They have never learned to think realistically about the more advanced societies. They have failed to recognize the changes in income distribution and production in the West. Hence, they have failed to develop meaningful responses to these changes. As far as possible, they continue to conceal these facts from their people.

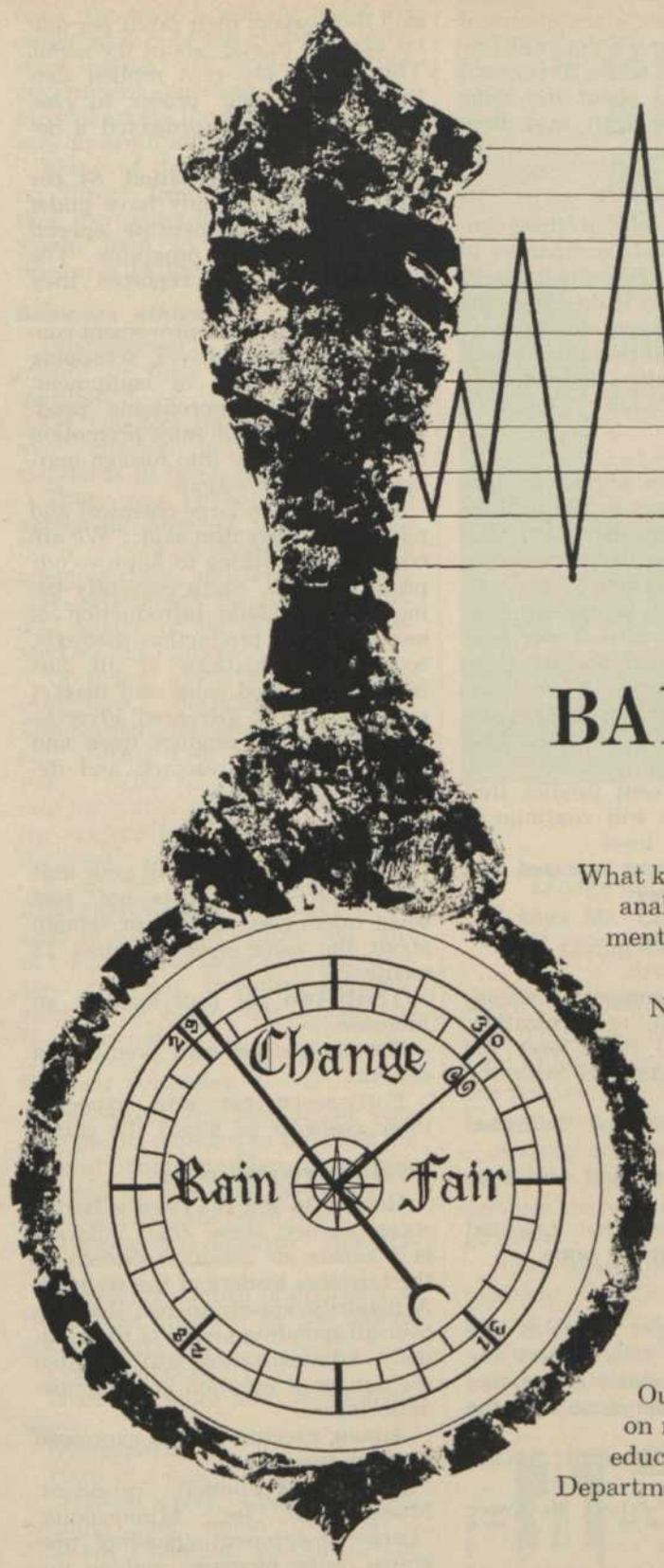
It is not quite so easy, however, to conceal the social progress of the West from the developing countries. The West has developed some remarkable mass production tools. These tools are already beginning to flow to the emerging countries, on credit, and according to their own scale of priorities.

Khrushchev refuses to take notice of this movement. No one knows whether he is, in fact, deceiving himself or only trying to deceive the uninformed. Either way, it seems, he cannot countenance the fact that the task of helping to industrialize the poorer countries is now a firm commitment on the part of the West.

The facts of economic life are running strongly against Soviet strategy for splitting the noncommunist world.

With experience, the new nations will come to see more clearly that the communist method is essentially a method of despair.

—LEON M. HERMAN




# BAROMETER OF BUSINESS

What kind of "weather" for business? Traditionally, analysts watch closely such significant measurements as bank clearings, department store sales, and carloadings.

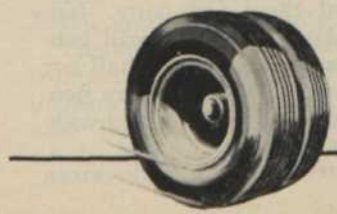
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*THE WHEELS THAT GO EVERYWHERE*

ATA

## NEXT 12 MONTHS

*continued from page 36*

under way and should exhibit more strength as the year progresses."

"Business is expected to improve steadily each month."

### *Long-range forecast: Good*

Looking further ahead, a majority of the businessmen report that they anticipate continued growth in the economy over the 1960's. But most predict this pattern of growth will be interrupted by shallow corrections at two- or three-year intervals.

Only four executives used the term depression to describe any prospective downturn in the 1960's. One of these, C. E. Masters, vice president of National Gypsum Company of Buffalo, N. Y., had this comment:

"Business trends in the Sixties will be highly erratic, with at least two recessions, of which one may be more of a depression than any experienced for many years. On the average, there will be a long period of growth, the rate of which may be accelerated in the last half of the decade."

Surprisingly, many respondents pinpointed their predictions for surge and retrenchment between now and 1970.

Two examples:

R. J. Custer, research director, Carson Pirie Scott department store, Chicago: "Slow, steady growth interrupted by a sharp but short adjustment in 1965."

M. A. Spayd, president, Standard Register Company, Dayton, O.: "There will be a stock market break in late 1962 followed by an economic turndown of 12 to 18 months. After that, inflation will probably take over again."

Most business leaders taking part in the survey expect continued inflation, as a result of government spending, the leverage which organized labor exerts on wages and the political popularity of welfare programs which are inflationary in their effects. (For a special report on the inflation issue, see page 69.)

### *Sales*

Executives were asked whether they expect sales of their companies in the next 12 months to rise, decline or remain about the same.

Eighty-six per cent forecast rising sales, 12 per cent expect about the same level, and only two per cent anticipate a decline.

In the NATION'S BUSINESS survey of business expectations at this time last year, 78 per cent predicted a sales rise, while 20 per cent predicted sales at about the same rate and two per cent said they expected a decline.

### *Company vs. industry*

Sixty-one per cent of those answering expect their companies to do better than their industries; 37 per cent think they'll do about the same, and two per cent don't expect their companies to perform as well in the 12 months immediately ahead.

### *Employment*

More executives expect to hire additional employes in the next 12 months than when the NATION'S BUSINESS midyear survey was conducted last year. Then, 31 per cent said they planned to increase employment. This year, 39 per cent reported they expect to hire more workers.

Seven per cent expect the size of their work force to decline. This was the same as in mid-1960.

Fifty-four per cent predict that their employment will continue at about the current level.

Sixty-two per cent reported this in last year's survey.

### *Company spending*

The survey asked:

How will your company's spending for expansion, modernization, and other capital items over the next 12 months compare with the past 12 months?

Thirty-five per cent indicated they will spend more.

Twenty-eight per cent said they will spend less.

Thirty-seven per cent reported they'll spend about the same.

### *Price forecasts*

Seventy-three per cent of the businessmen said they expect the prices of their products or services to remain about the same over the next 12 months.

Twenty-three per cent foresee higher prices.

Four per cent expect to lower their prices.

### *Profits*

Two questions dealt with profits. The first asked the businessmen whether they expect their profit per dollar of sales to rise, decline or stay about the same. The second asked whether they plan any special action to improve their profit position.

To the first question, 48 per cent said they expect their profit per dollar of sales to stay about the same. Thirty-eight per cent replied that they expect their profits to rise. Fourteen per cent projected a decline.

To the second question, 84 per cent said they already have under way or plan to institute special profit-improvement programs. The other 16 per cent reported they plan no action.

Plans for profit-improvement cover cost-reduction drives, scrapping of obsolete plants or equipment, elimination of unprofitable products, more vigorous sales promotion and selling, entry into foreign markets, and other actions.

An officer of a large chemical and related products firm said: "We are continually working to improve our profit position. Steps currently being taken include introduction of more efficient production methods, searching evaluations of all cost items, intensified sales and market research efforts, increased advertising in selected product lines and strengthening of research and development activities."

### *Labor costs*

The survey asked: Will your unit production labor costs—not just wage rates—rise, decline or remain about the same over the next 12 months?

Thirty-two per cent forecast an increase.

Twenty-one per cent predicted a decline.

Forty-seven per cent expected these costs to be about the same.

### *Inflation worries many*

Replies to the NATION'S BUSINESS survey show that inflation is a source of genuine concern to the business leaders of the country. A majority appear to feel that the over-all spending policy of the Kennedy Administration will heighten the danger of inflation in the immediate future.

Among executives who expressed concern were:

G. D. McConnell, president, Munsingwear, Inc., Minneapolis: "Large government spending programs, wage increases and an unbalanced budget will lead to inflation."

H. T. Hallowell, president, Standard Pressed Steel Company, Jenkinstown, Pa.: "Inflation will continue at about one and one half per cent per year. That's the way people live and like it. It is world-wide and of long duration."

To the president of a Midwestern

bank, the issue is one for which all major sectors of the economy must share blame. He wrote: "Neither government, business nor the people will accept the disciplines necessary to avoid inflation."

Many of those who see little or no threat from inflation suggest that increasing foreign competition would tend to dampen inflation pressures in the United States.

### *Business ethics*

Businessmen divided almost evenly in their responses to the question:

Do you feel there is a need for more effective policing of ethical standards in business?

There was virtually unanimous agreement, however, that if any policing is done, it should be done by business itself, and not by the federal government through any special agency or set of controls created for this purpose.

"Policing alone won't improve conditions," declared Charles J. Zimmerman, president of Connecticut Mutual Life Insurance Company. "What really is needed is desire for higher ethical standards by the corporation and within the individual."

A number of businessmen noted that improvement of ethical standards is the responsibility not only of business, but labor and other sectors of society, including the individual, the home, the school and the churches.

### *Biggest problems*

The continuing squeeze on business profits emerges as the most important single problem companies will face in the next five years.

Other problems often cited:

Competition—domestic and foreign.

Increasing control of and competition with business by the federal government.

Control of costs.

Need for more and better managers.

Overcapacity.

Here is a sampling of comment:

"Higher wages. Cost of featherbedding and union demands"—Norman Chandler, president, The Times-Mirror Co., Los Angeles.

"Historic, inexorable change. Unseeable and unpredictable"—J. R. Caulk, Jr., president, Hussmann Refrigerator Co., Atlanta.

The survey brought returns from companies in manufacturing, public utilities, banking, transportation and communication; retail and wholesale trade, and insurance. **END**





Joseph A. Consigli, Manager of Sales Service, Johns-Manville Corporation

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NB 71

## AUTOMATION

*continued from page 31*

present the middle manager is concerned with collection, analysis and sorting of data. This function will be performed by machines.

**Could you name some specific job classifications that will dwindle or be completely replaced?**

The job of scheduling—where you schedule machine loading, or schedule work in a plant—is an example of a function that will be supplanted by mechanized or automated information systems. Jobs involving control of work and direct machine operation also will decrease. People who load work on machines and take it out of machines, people who maintain log books in a utility plant or process plant of any type will be replaced.

**Do you feel that automation can create a sizable number of jobs?**

There is no question about that. I feel that more jobs exist as a result of automation than have been eliminated by it.

Look at the electronics area, and the substantial increase in employment there.

The people in the companies using the 5,000 computers now in service outnumber the people who have been displaced.

**Do you expect this trend to continue?**

I think it will continue for some time. You use most of this new technology to do things you didn't do before. People say that a specific machine does the work of 15 people. Then they multiply the number of machines installed this year by 15 and take this figure as the resulting unemployment. This isn't what happens, because you don't do tomorrow by machine what you did today. You do different things.

Take the use of computers in engineering calculations on the wing of an airplane. In the past the calculations were so laborious that the chief engineer would determine one or two possible designs and these would be checked out.

This required six months of calculations. At present you do this by computers. Instead of checking out one or two alternatives, you check out 76 alternatives. You go through far more extensive types of analysis. You may have the same number of people or more in your engineering department, plus a couple of computers, but you are doing a far better job.

**What are some of the benefits of automation?**

Most of the application of technology over the next decade is going to be outside the factory. It is going to be applied in areas such as medical research. Today statistics are collected in a different way in each hospital. When a doctor wants to do research on a particular disease or the effects of a particular drug, he has to start from scratch.

One of the major uses of technology will be to build central electronic files, medical records for individuals so that your diagnosis, the treatment, the readings of the instruments, all your symptoms, your reaction to the disease and to the therapy that is used will be recorded and stored in an accessible way.

We will get a far higher level of accuracy in diagnosis, and we will know a lot more about treatment.

Another major area for technology is in translating equipment. In this decade we will have equipment that can optically scan a printed page of Russian text. You will put a Russian article in the machine. The machine will translate it, abstract the translation, and store both the abstract and translation.

Thousands of people will be involved in building this equipment and will use this information.

**Are we still on the threshold or have we gone far toward the potential of automation?**

We have hardly started. At present we think of this technology in the factory. It is going to change business organization, change the role of management and the role of the individual. The machines are agents of enormous social change.

**Is it possible now to conceive the ultimate in this field?**

You can look quite far ahead. The essence of the technology is information-handling and problems related to information-handling. It has been estimated that billions of dollars a year are wasted by different groups doing the same research. We knock airplanes out of the air because we don't handle the information as to their location properly. We have collisions on the roads because of inability to react fast enough to information. In all these areas, where technology can be applied, you are going to have major industries that don't now exist.

**How will it work out in vehicular traffic control?**

Through automatic control devices in automobiles which react to other traffic and also to the highway systems.

You get into the car and say you want to go to Palm Beach. The control will do the selection. It will pick up signals from the road itself and other signals in relationship to other vehicles. Tested models of these are already running.

**What will be the impact of automation on production processes?**

It will be heavy. For example, at present a few electric utilities plants are being built with computer controls, and this is an area that is new. But by the end of the 1960's this will be the common way to build a plant.

This is happening in steel plants. It is happening in petroleum plants. About 60 to 80 computers are on order for this kind of application right now. Nearly 1,000 machine tools in the country are now tape-controlled. By 1965 half the machine tools built will be tape-controlled.

**What other developments do you foresee?**

Simulation of business operations for purposes of education and training. This will be an important role of automation technology in business schools. It will give people an opportunity to run through many years of operating experience, making decisions without the danger of destroying a plant.

Simulation will also be used in decisions on product mix or the allocation of resources.

**How will all this affect the decision-maker?**

It will place a greater premium on thinking in business. Men will spend less time shuffling paper. The information you need will be available, and there will be more emphasis on using it creatively.

**Is there anything in the prospect of a more automated world to cause concern?**

Not in the least. Automation will greatly heighten human characteristics, put greater emphasis on them. We're not headed for a sterile, robot existence. Automation is going to be more challenging than any experience we have ever had. **END**

**REPRINTS** *of "Urgent Need: All-out Automation" may be obtained for 10 cents a copy or $7.00 per 100 postpaid from Nation's Business, 1615 H St., N.W., Washington 6, D. C. Please enclose remittance with order.*

# IF YOU CAN ANSWER "YES" TO TWO OF THESE QUESTIONS...

1. *Does your plant average one or more workers per 300 square feet?*
2. *Do you pay annual wages, including benefits, of $25 or more per square foot?*
3. *Does one out of seven of your workers quit every year?*
4. *Does labor amount to 25% or more of your total manufacturing cost?*

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Why do the questions above relate so directly to the profitability of air conditioning? Let's discuss each of them in order:

1. The higher the concentration of workers in a given area, the less the cost of air conditioning per worker and the greater the return on the investment as air conditioning increases worker productivity. Experience shows that air conditioning pays off quickest in plants of 300 square feet or less per worker.

2. Where labor rates are high, concentration of workers is less important. For example, the return on an air conditioning investment will be half again as much in the case of $3.75-per-hour workers as it is for $2.50-per-hour workers.

3. Voluntary labor turnover usually amounts to 15% annually. Many studies show this figure is substantially reduced by air conditioning.

4. Wherever labor represents a large share of the cost of a product, the profit potential of air conditioning is high—regardless of worker concentration or annual wages per square foot.

Did you answer "yes" to two or more? If so, you owe it to yourself to make an air conditioning investment analysis of your plant. Your engineer or consultant can do this in a few hours by using the Carrier Investment Analysis. Write for a copy to Carrier Air Conditioning Company, Syracuse 1, N. Y. In Canada: Carrier Air Conditioning Ltd., Toronto.

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# LET SALESMEN HELP YOU PLAN

## Swapping ideas produces better marketing strategy

IN TODAY'S FIGHT for increased profits per product and per customer, companies are involving the salesman more and more in marketing strategy. They do this by integrating his work with:

- Expense control.
- Product development.
- Competitive analysis.
- Company objectives.

This is in line with the general upgrading of the salesman's job. As his stature increases, he is becoming more and more his own manager.

In line with this, let's take a look at what some companies are doing.

### *Expense control*

Control of the saleman's expenses is becoming more and more a matter of self-control. In this area, many interesting things are taking place. One development illustrates the trend.

The Schering Corporation currently has in operation a finely integrated mechanism to help salesmen achieve the maximum degree of self-regulation in all types of traveling expense.

Its "director of expense control," Roland Sloan, sales administrative manager, heads a special unit and reports directly to Herman Leitzow, vice president in charge of marketing.

"As guardian of the sales purse, it is the expense control manager's job to keep an eye on all facets of sales expense," says Mr. Leitzow. "As the marketing division's budget officer, he helps the sales organization establish standards of control for salesmen's expense, work organization, routing, and the use of literature, samples, and equipment. You might say that he is our officer in charge of cost-consciousness."

One of Mr. Sloan's main functions is to oversee Schering's do-it-yourself expense control, through which salesmen keep costs in line with national and company norms and synchronize them with other sales factors.

Every quarter each sales representative gets a month-by-month report which shows average cost per day for meals, average cost per night in hotels, cost per day for entertaining, cost per week for telephone, and so forth.

As he looks back over the quarter, the salesman can see whether his average expense for any of these items is rising or falling and determine whether he is within a range that he considers acceptable.

If he is out of line, he can correct himself. Thus, each salesman sets his own standard.

The reports list:

Prior cumulative expense—Jan. 1 to end of prior quarter.

Current-quarter expense.

New cumulative expense—January to end of current quarter.

Beyond the salesman, the reports go to the division manager, the regional manager and the national office.

The national office uses the reports for general directional purposes. It prepares average figures for the various items and issues them to salesmen as new norms.

The reports provide a basis for following trends so that the benchmarks do not become frozen and ineffective.

Schering's new system was originally evolved by Mr. Sloan from management reports prepared by Peterson, Howell and Heather, of Baltimore, to help client companies control the expenses of some 50,000 business cars which it provides to industry. Mr. Sloan, with the help of Peterson, Howell and Heather, broadened the car expense management control to cover all traveling expenses and to focus this control on the salesman himself. This has met with

so much success that the system's originators are extending the service to other companies. They hope eventually to reach a universal method of controlling expense accounts.

Various companies have evolved other means of controlling expenses. At Plax Corp., a plastics manufacturer, expense control is built into an incentive plan. According to S. F. Shillaci, vice president of marketing, neither district managers nor salesmen ever feel they have enough money for sales promotion —posters, fliers, brochures, samples and entertainment.

"When we decided how much money we could spend on such promotion items, the incentive system was set up to accomplish our purpose," says Mr. Shillaci.

"It is adjusted so the salesman can make more money if he spends less on these things. It works so well that the salesmen actually scratch around to find ways to save money."

***Product development***

Marketing leaders today are trying to get all the product development help they can from their salesmen and are gaining more appreciation of the practical information that the man on the firing line can provide.

Many marketing organizations have developed systems specifically adapted to their own needs. General Electric's system, as explained by Kris Christiansen, GE marketing consultant, is among the most comprehensive.

"We create a product evaluation team," says Mr. Christiansen, "and take the salesman in on two phases of the product's development. The first begins when the product has reached little more than the form of



## PLANNING TEAM

*continued*

functional specifications. At this stage the salesmen don't bother to call on customers for specific information.

"The second phase begins when the product has reached preliminary development. At this point, we want to determine the selling points. We often correct bad faults. In one product we had the door opening the wrong way. This second process not only helps develop new things but it gives the salesman a sense of participation which motivates him to push the product harder when it comes out."

Practically all of du Pont's many divisions involve salesmen in their product development programs.

"Our salesmen are an extremely effective source of information on the needs of our customers and how our products can fill these needs or be improved to serve the customer better," says Robert J. Manning, assistant manager, plastics sales, of du Pont. "Our field men are continually working with customers to help them take profitable advantage of properties of our products and the services we can provide.

"As an example, on the basis of identification of the need by our field men in Detroit, a development effort was undertaken with Chrysler Corporation to put a lighter weight instrument cluster housing in the Valiant automobile. Now in full production, the plastic cluster, at two pounds, weighs seven pounds less than the previous housing."

"The salesman constantly acts as the catalyst who puts us to work on a new product," says Roger Kirk, manager of the proprietary division of Lehn and Fink. "He often gives us valuable tips on the timing of new developments. We figure we get most of the ideas from 10 to 25 per cent of our salesmen."

"We are spending a lot of money on research," says C. Wilson Randle, head of management research and planning for Booz, Allen and Hamilton. "Forty-eight per cent of it is going into new products and it's no use making these products unless we sell them. To help us sell, the field man is assuming a powerful role in the product-auditing and research effort."

### *Competitive analysis*

One school of thought holds that the salesman is even better than trained marketing researchers as a source of information for competitive analysis. His judgment is constantly sharpened by bumping up against the competition.

"Once we pulled together a complete picture of a competitor's distribution from reports turned in by 120 salesmen," says Mr. Christiansen, "even up to and including its warehousing in the most strategic locations. It put us in a better position to plan and implement our own distribution needs. We have a planned program of sending questionnaires to our salesmen requesting information for a competitive analysis and we get a great deal of valuable information from them.

"We get research into how our competitors are marketing their products, how many salesmen they have, and how their products compare as to service, function and quality." Mr. Christiansen is one of those who maintain that a composite picture from all salesmen is the best source of information for competitive analysis.

However, he points out that it is essential to have salesmen completely sold on the importance of this function. Salesmen have a way of resisting extracurricular functions. In this, many have the backing of their district managers. The best way to overcome this resistance, Mr. Christiansen feels, is to enlist the salesman and his boss in overall company planning.

Sylvania Electric's photolamps division recently decided to go to its salesmen for more advice and participation in marketing strategy.

At the outset, it was shown that the salesmen felt the existing discount structure was a handicap. A revised set-up resulted. Also, the salesmen felt that the company, in spite of good current sales, would eventually lose out to competitors for lack of a good long-range development program. A new product research department resulted. Furthermore, the salesmen felt that new and more effective packaging was needed. They got it.

### *Company objectives*

Informing the salesman about company objectives and helping him carry them out begins as a philosophy and develops into a pre-eminent part of the company operations. It must be a two-way street. Look at it two ways. First, from the standpoint of management, and then from the standpoint of salesmen.

From a management standpoint Mr. Randle offers these rules:

*Define your objectives accurately:* This requires that management be fully aware of the company's position in the industry, how its product line compares with the competition, what new products are coming and how they will be timed.

*Make objectives specific:* Broad objectives such as "work hard and succeed" have been too common. The more accurately the objectives can be stated to delineate company interests, rate of growth, and desired profit level, the less wobbling they will engender.

*Update objectives periodically:* Conditions change, products expire and new programs are launched.

Mr. Randle cites what he considers to be a good sample list of company objectives—those of a metal fabricating firm:

Expand the gross sales volume to approximately $500 million over the next five years.

Operate the divisions on an autonomous basis within the framework of over-all top management objectives and financial control.

Obtain recognition as an important and respected company.

Provide opportunity for stable employment and individual development and advancement of capable personnel at all levels.

Establish a sound organizational structure to attain objectives for the full coordination of efforts of all employes.

Improve continuously the quality and utility of all the company's products and services to give customers ever greater value.

From the salesmen's standpoint, Mr. Christiansen describes a system which calls on the salesmen for original delineation of objectives.

"We ask the salesman to turn in a sales plan each year. In this he tells us how he is going to develop his territory. Also, he makes suggestions as to what management should do.

"Each salesman has an opportunity during the annual regional meeting to recap his sales plans to both field and headquarters management. Then management has an opportunity to answer the salesman and present headquarters with marketing plans and programs.

"Certain goals should flow from the salesman. Certain other goals should flow from management. The two should knock heads together in conference and, when a course is finally determined, the details should flow back to the field. We find this two-way flow successful."

One of the strongest advocates of salesman-management coordination is Campbell Rutledge, sales manager of Corning Glass. He says:

"We give the salesman all the in-



*Architect Harold Tarleton of Greenville, S. C., checks on progress of new building*

# "I was up in the air about business insurance

## . . . until a MONY man showed me what a business our size needs"



*Harold Tarleton talks it over with Harold Goller*

"An architect's business depends not on a factory or machines but on himself and his associates. And it's just good sense for a man to insure his business against loss of income if he can. For me, that means business life insurance.

"I know that now. But I didn't realize it until MONY's Harold Goller spelled it out for me. He analyzed my business and its needs, providing the right life insurance for my two associates and myself. Now the business is protected even if something happens to one of us. And funds would be available to provide an income for the widow of an associate.

"Analyzing situations and providing solutions is Harold's long suit. He did that for my personal needs as well, and fixed me up with a well-rounded program.

"I guess you can say I've hooked onto Harold for good as my insurance advisor."

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formation we can on company objectives and encourage him to be his own manager. We insist that our men plan six months or a year ahead. We don't feed them our five-year plan but we give it to the district manager.

"Our salesmen are extremely well informed as to where they stand. We try to give them all pertinent information about the company.

"We have monthly policy meetings at which we take up the profit picture, labor relations problems—if any—new product considerations and other policy matters.

"We are strong in communication up and down. All the facts and figures a man needs are given him."

Lehn and Fink's proprietary division provides an example of how a company involves its field men in sales strategy. Division executives take their salesmen into their counsel on broad aspects of sales policy and specifically on product development, pricing mix, advertising and promotion.

"We have a council of seven regional managers," says Roger Kirk, division manager. "We hold regular council meetings of these managers to decide on marketing matters. Before and after these council meetings, the managers call meetings of their salesmen—before, to tap their experience and opinion; after, to play back council decisions or seek decisions from the salesmen. This two-way line of communication works beautifully.

"Often, after the council meetings, we go back to the salesmen with an outline of a projected program in which questionable areas are pointed up for action. In some cases, we may already have made decisions but we don't always let the salesman know it. Instead, we put the question up to the salesman for decision. Then we can hold his decision aside as a benchmark. If a salesman makes the decision that we follow, he executes it more enthusiastically than if an order had been handed down from above."

"If you take a salesman into your confidence," says Mr. Christiansen, "you make him feel like a businessman. This leads him to act like one. The need for higher strategy at lower levels also arises from the fact that, in today's business environment, higher type salesmen are required because the people deciding on purchases today are more qualified people. Purchasing is done



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on a much more scientific basis."

"Salesmen can and do contribute to sales strategy," says Harold O. Ladd, manager of the du Pont marketing research division. "The value of the salesman in developing strategy lies in his intimate knowledge of the market and his ability to transmit information of significance to management.

"For the salesman to be effective in this area, two things are essential:

"First, the salesman must have an adequate understanding of the company's market objectives.

"Second, there must be an efficient system of communications.

"For many years we have had an extensive system of reporting by the salesmen. Knowing management's needs, the salesmen are able to keep their reporting concise and to the point. Emphasis is placed on getting facts rather than opinion.

"Considerable qualitative information also is obtained through personal discussions between salesmen and their immediate supervisors. In the long run, however, strategic considerations are matters for management decision and must be governed by factors which at times are quite different from those at the territorial level."

#### Get *salesman into strategy*

The Ralston division of Ralston Purina has a well developed system for involving the salesman intimately in marketing strategy.

The process begins with an ingenious method of sales forecasting by which the company estimates its sales in its various brokerage areas on a bimonthly basis for as much as two years ahead. Beyond this, it can work out figures for five years.

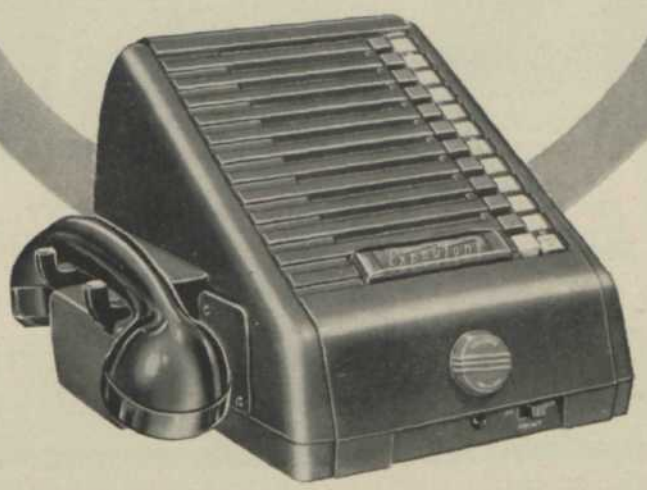
Using these figures, the company pinpoints the richest areas of potential sales by brokerage districts and works out an intricate index, taking into consideration the advertising pressures currently exerted and the advertising pressures which could be exerted.

With this information assembled, the company is able to select the areas in which advertising and promotion should be most highly concentrated. Working from the most to the least promising, the company then uses its forecasting system to determine which of the brokers' salesmen to bring into its marketing strategy.

The informational process begins with meetings held by the firm's ten regional sales managers at the headquarters points of 75 brokers who handle the company's distribu-


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## PLANNING TEAM

*continued*

tion. These meetings involve approximately 550 salesmen.

"Our effort is to get directly to the man who is doing the merchandising work in the store, tell him what we are doing and why we are doing it," says Goeffrey Baker, Ralston's sales manager. "We find this gives each man a better understanding, plus more enthusiasm."

Ralston's headquarters staff familiarizes the brokers' salesmen with details of the firm's promotions each year and hands out sales brochures which give the salesman information on each promotion, plus copies of store material, reprints of advertising, mats, and schedules.

The Ralston field staff spends 70 per cent of its time working with brokers' men in retail stores. During this time, staff members participate fully with the brokers' men in any activity to which they are assigned, whether or not Ralston products are involved.

Object: to obtain better sales efforts through more knowledge of Ralston's plans and the reasoning behind them.

Ralston is happy with the results, and a survey of its brokers' salesmen indicates that they find this system profitable. Here is a typical response from Don Hershner, retail supervisor, Walter Sions Company, Jenkinstown, Pa.:

"Shelf position in the stores is the most important element in selling grocery products. We use the company's statistics and analyses on share of market of various products to show the buyer how to allot shelf position for his benefit and ours. That's a lot better than just saying we want shelf space. This way we can give the buyer the facts on how different products move in our region and he is more inclined to give us the share of space that the products merit."

### *Long-term program needed*

Authorities agree that a well integrated information system built into company operations by means of a carefully planned, long-term program is imperative if good sales strategy is to emanate from the field.

Says John R. Sargent, a partner in the consulting firm of Cresap, McCormick and Paget:

"Rarely will one salesman or one group of salesmen provide enough authoritative, cross-sectional knowledge to serve as a completely balanced guide for all aspects of a

company's marketing strategy. However, with good communications and close working relationships with salesmen of all types in all territories, management can tap a mine of strategic marketing information. Then, through adding its own perspective—not often available to the salesman—it can develop a marketing program which embraces both realism and imagination."

This is not done in a day, notes Coleman Lee Finkel, vice president of James O. Rice Associates, Inc., sales training consultants.

"These new developments point to the fact that the salesman must be trained to act on his own initiative more than ever before. This training requires time, thinking and extensive effort by both management and the salesman.

"To be successful, this process must be preceded by an all-important resolution on the part of the sales representative himself:

"He must change his own self-image and no longer think of himself as only a face-to-face persuader but as a marketing manager—an integrated, well rounded planner who runs his own business.

"Management must change its concepts, too. It can't just pile all these new things on the salesman without preparation or he'll fall flat on his face.

"It must teach him how to use his time productively, how to act as a source of marketing information, how to assume the responsibility of advising his customers—and all the rest."

These things, says Mr. Finkel, require basic changes in a man's habits. It will require six months to a year before management can begin to see the difference.

"The importance of getting a good reading on the customer has been recognized ever since intelligent management embraced the marketing concept," Mr. Christiansen says. "In the beginning, management set up sources of information through the professional research man and the trained member of management who went out to confer with the customer.

"Today, we don't have to depend so much on these people; we're sending our salesmen out to perform these functions."

—PHILIP GUSTAFSON

REPRINTS *of "Let Salesmen Help You Plan" may be obtained for 15 cents a copy or $10.15 per 100 postpaid from Nation's Business, 1615 H St., N.W., Washington 6, D. C. Please enclose remittance with order.*




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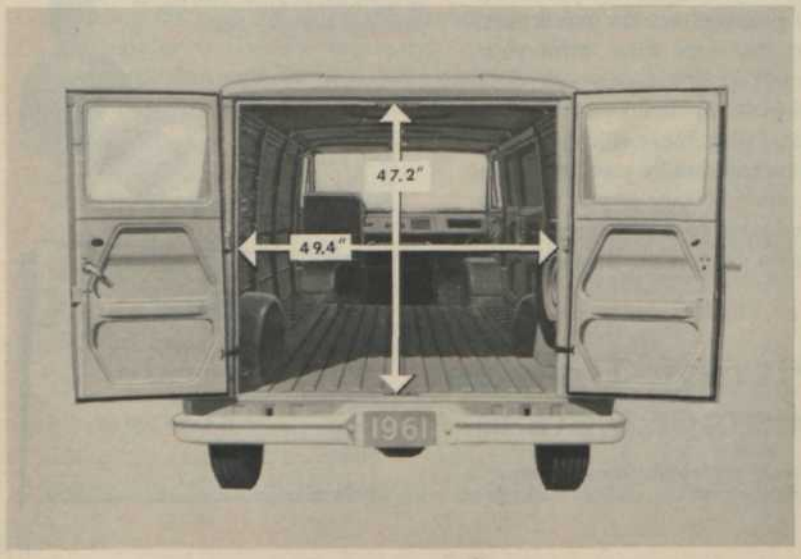
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SPECIAL LETTER

## NATION'S BUSINESS EDITORS REPORT ON: Inflation

A NEW KIND of unemployment is taking shape for the future: Joblessness caused by inflation.

You haven't heard much about it yet. But you will. It's a reality you'll face as a businessman in years to come--unless cost pressures can be held in check.

Fact that inflation can put people out of work is expected to emerge in the future as result of changing character of inflation forces now building up. If these trends develop as expected, some goods will be priced out of the market, at home and abroad--curtailing job opportunities. Instead of curing unemployment as intended, many federal programs would increase jobless rate.

* * *

TO HELP YOU FOCUS on future trends, here is what's happening: Prices have been comparatively stable for years. But inflation forces now are surging beneath the surface.

Future probability is that up forces will soon begin to overpower the down forces. For months ahead this means you can expect moderate--or creeping--inflation. For longer period ahead, accelerating pace of uptrending costs is likely prospect. This could mean galloping inflation, with first traces beginning to show up in 1962.

Buying power of your dollars, according to some economists, could be cut in half by the early 1980's. Contrast this prospect with a value erosion amounting to 13 cents from each dollar during the past 10 years.

* * *

DEFICIT DOLLARS are starting to pour out of Washington. Federal spending on the cuff is expected to increase significantly. New Frontier budget for fiscal year that starts this month could easily reach $90 billion. Figure is almost $8 billion more than year just ended. It's $4 billion higher than President Kennedy first proposed last March.

Barring spectacular gain in revenue (not expected), government will end up

$5 billion, maybe $7 billion in the red. Coming at time when economy is moving up, this is inflation force.

Congressional approval of programs now being considered could boost the deficit even more. On legislative calendar are spending proposals that add up to an estimated $10 billion, $8 billion of which would come in nondefense category. World tension, increasing everywhere, could boost federal costs for defense more in years to come.

* * *

LONG-RUN PRICE TAGS on costly new proposals often are hard to pinpoint. Look at these examples: Farm program would give Agriculture Secretary power to subsidize producers of almost any commodity. Consumers' tax dollars would be used to inflate food, clothing prices. Wages tied to cost of living would rise, adding further to cost of goods people must buy.

Housing, community development proposals involving at least $8 billion would commit government to heavy spending on permanent basis, whether the economy booms or lags.

Space programs could cost up to $40 billion between now and 1970. Foreign aid could add another $40 billion.

* * *

WAGE PRESSURE, because of new union demands, will mount. Wages, instead of falling during business slack, kept rising. Now that economy is moving up again, there'll be new push to hike wages, other benefits.

Business, on the upswing, will find it increasingly difficult to avoid rising costs. Profits will be squeezed further, despite rising volume.

Trend to watch: Outcome of auto industry negotiations with union chief Walter Reuther. Talks are going on now. Contracts end in August and September. Union wants weekly salaries, pay not tied to productive hours; longer and bigger payments during layoffs; companies to pay all insurance costs; other benefits. What's important here is that settlement--whatever it is--will set pattern for other industries negotiating later.

* * *

OUTLOOK: Inflation pressures are building up. Some goods will be priced out of the market, eliminating jobs.




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# FASTER TAX WRITE-OFFS AHEAD

## Rebuff of Kennedy Administration plan improves depreciation reform outlook

MACHINERY manufacturer Carl A. Beck isn't biting.

Mr. Beck, who typifies thousands of American businessmen, won't be lured by the tax incentive the Kennedy Administration is dangling before the nation's business community. The Administration's aim is to get business to spend more than usual for new tools of production this year.

Ironically, the proposal, billed as tax relief for business, has met almost universal opposition from commerce and industry.

The issue, now before Congress, has given business spokesmen the chance to show the wide gap between the theories of federal tax planners and the practicalities of business operation. It has exposed the defects in the philosophy that government can dictate the workings of the economy. Moreover, it may lead Congress to enact real tax reform soon even if a tax credit compromise is passed this year.

Even some of President Kennedy's closest allies among the congressional leaders oppose the tax credit plan, but want real depreciation reform. For instance, Democratic Senator George Smathers of Florida, a member of the Finance Committee, has attacked the Kennedy plan. He said, "The differences between the tax credit plan and depreciation reform are fundamental and serious. The tax credit is untried, its results are unpredictable and it is discriminatory."

The basic problem is whether industry can keep its plant and equipment up-to-date and productive.

Everyone favors President Kennedy's goal "to increase the modernization, productivity and competitive status of American industry." Of the approximately $300 billion in capital assets in this country, their owners consider about one third obsolete.

A major objection to the Administration's tax credit on new equipment spending is that it does not get at the true long-term investment and growth problem.

As Mr. Beck, who is president of Charles Beck Machine Corporation, testified in congressional committee hearings:

"A businessman's growth depends on investments in people, innovation, marketing and inventory. Until he has these, he cannot justify any investment in tools of production no matter what kind of incentive you give him. In addition, he has to have the money first to make the investment." Mr. Beck's long-made capital investment plans call for no new spending this year.

Joel Barlow, a member of the Taxation Committee of the U. S. Chamber of Commerce and a top lawyer in the area of depreciation, noted "the deterrents to growth and technological progress in our deficient tax depreciation structure." But, he told Congress, the more effective and equitable step—preliminary to complete reform—would be a reasonable initial depreciation allowance that would approximate the actual first-year obsolescence, rather than the Administration's "novel and untried preferential tax credit subsidy for business."

The problems posed by outworn equipment are critical. Modern industrial systems of foreign nations are cutting into America's share of world markets. Millions of new workers will be seeking jobs at an accelerating rate in future years. The U. S. must keep pace with technological advances to supply defense needs as well as the goods of peace.

The reason American industry has lagged in keeping its plant modern is rooted in antique tax policies.

Historically, businessmen have been permitted to deduct for tax purposes the costs of producing income.

The means of accounting for the cost of durable assets as they are used is by depreciating or deducting a certain amount of the cost each year of the life of the asset. Ideally, the annual deductions over the useful life should equal the replacement cost, less the salvage value of a piece of equipment.

The schedules for depreciating capital assets largely determine when new equipment is bought and how fast companies expand.

Since 1934, the U. S. Treasury Department has put on industry the burden of proving the accuracy of a claimed useful life of a capital asset. Otherwise a business has to depreciate the cost of plant and equipment according to a list of useful lives based on how industry was re-equipping itself in the 1920's. The list was revised in 1942, based on the slow growth of the 1930's, and this same Treasury-approved schedule of lives of plant and equipment is still in use. The result has been to reduce depreciation allowances and slow the rate of modernization and economic growth.

Businessmen, politicians and tax experts have talked about depreciation reform for years. Some improvements were made in 1954 and 1958, when Congress permitted business to charge off certain depreciable property at a quicker rate. During the Korean War faster write-offs for defense-related industries were permitted. But, despite several congressional studies of the depreciation problem, no real reform has been enacted to permit: 1, adequate financing of capital replacement in inflationary times and, 2, realistic useful lives to be set on depreciable property.

The Kennedy Administration's proposal for urging industry to modernize is in the form of a tax credit of:

- Fifteen per cent of all new plant and equipment expenditures in excess of current depreciation allowances on earlier investments.
- Plus six per cent of such expenditures between 50 per cent of the depreciation allowance and the full depreciation allowance.
- Plus 10 per cent of the first $5,000 of new investment, which would be allowed as a minimum credit.

The amount of tax credit would be subtracted from the company's total tax liability. But the maximum offset would be only 30 per cent of the taxes due for that year.

The tax credit would be in addition to and separate from the normal depreciation allowed on a new investment. It would be limited to new plant and equipment with a life of six years or more and located in the U. S. Public utilities, other than transportation, would be barred from taking the credit. Also excluded would be investment in residential



"We urge liberalization of depreciation provisions, not the preferential and complex tax credit," Joel Barlow of the U. S. Chamber of Commerce, testifies



"Faster write-off privileges promote the freedom of decision-making," Machinery Manufacturer Carl Beck declares before the House Ways and Means Committee

## TAX WRITE-OFFS

*continued*

construction, including apartments and hotels.

Some of the objections to the Administration's tax credit idea are:

It would tend to restrict the businessman's freedom to make his own business decisions.

It would not ease, and might even intensify, inequities in the tax burden.

It doesn't meet several serious existing handicaps in writing off the cost of machines and buildings.

Such tax manipulation now would likely postpone sound reform. It would not provide the broad stimulus needed for modernization and growth.

Mr. Kennedy has said, "It may be that on examination some of the existing depreciation rules will be found to be outmoded and inequitable," but this "should be separated from investment incentives."

The tax credit would provide future funds for investment for those who bought new equipment now without increasing a company's future tax liability.

Faster depreciation merely postpones the timing of tax payment on profits from the investment. The liability must eventually be paid.

As Mr. Beck points out: The tax credit plan limits choice by encouraging tax avoidance by expediency rather than following a long-range plan to do what is otherwise best for a business.

"Faster write-off privileges widen the area of choice and promote the freedom of decision-making on which our country has grown to strength. In the exercise of such freedom, we encourage innovation and individual ingenuity, the sources of growth," he says.

Mr. Beck, like thousands of other taxpayers, has had to cut down or postpone modernization because present depreciation rules do not permit businesses to put aside enough reserves to keep pace with technological advances.

His company makes industrial machinery related to the packaging industry and the paper film and textile converting industries. It employs about 50 people. Located in King of Prussia, Pa., near Philadelphia, the company was founded nearly 100 years ago.

The company's machine tools are about 10 years old on the average. An engine lathe, the most modern available when bought nine years ago, cost about $6,000, and only that amount may be written off for tax purposes. But to replace it with an up-to-date tracer lathe of the same capacity would cost $21,000 now. Mr. Beck says he is considering eventually buying an even more modern tape-controlled lathe which would cost at least $150,000.

His annual budget for interest and debt reduction, less depreciation, requires a profit of more than $87,000 before taxes. On a current sales budget of $621,820, this requires a profit before taxes of 14 per cent of sales, he explains. This makes no allowance for return on invested capital of $300,000, nor any earnings to reinvest.

"It is quite apparent," he says, "that we are not in a position to provide substantial investment in new equipment that would give the company a tax credit."

Inflation, increased costs of doing business, the speed-up of technology and the primary need for investment other than in buildings and major productive equipment make the tax credit proposal of little value to the average small businessman, who represents more than 95 per cent of all business, says Mr. Beck.

He feels the tax credit would promote lumping of capital expenditures in certain years to take advantage of the credit for spending in excess of regular depreciation rates. He also points out that the businessman who has been investing in capital equipment up to this year would be penalized because his current depreciation is high. No consideration is given for updating present facilities, even if modern equipment were available at the same cost, he says. The tax credit would not encourage saving for later purchase. It discourages effective planning, which is so vital to good management, and makes accounting more involved and costly.

**Farm program** proposed by President Kennedy would affect you—as a businessman, taxpayer and consumer. Analysis starts on **page 48**

Many tax experts point out that present depreciation rules encourage business to keep obsolete equipment and discourage economic growth, particularly since depreciation deductions are based on original costs rather than on current cost of replacement.

The Treasury Department and Small Business Administration last summer conducted a national survey of 10,000 big and small businesses. Replies from 3,000 companies indicated that a majority would increase their capital spending if present depreciation restrictions were relaxed. About half of those answering favored setting their own estimates of useful equipment lives and determining their own depreciation methods, as long as these were applied consistently.

The Kennedy Administration's avowed aim to encourage investment, though the Democratic party traditionally has backed tax relief to encourage consumption instead, indicates that some alternative plan to encourage investment would not be opposed on philosophical grounds. At least this is the reasoning of Rep. John Byrnes, a leading Republican tax strategist on the House Ways and Means Committee, which writes new tax laws.

Although Walter Heller, chairman of the President's Council of Economic Advisers, told NATION'S BUSINESS that the top Administration tax planners have not even discussed an alternative to the tax credit idea, Administration supporters know that the tax credit scheme faces tough going in Congress.

As one Democratic member of the Ways and Means Committee, Rep. A. S. Herlong, Jr., puts it, "Why should we give business some relief it doesn't want?" Chairman Wilbur Mills of the Ways and Means unit told NATION'S BUSINESS: "There will have to be a selling job done" on the tax credit plan.

When asked: "Who will sell it?" he replied: "I don't know."

Mr. Mills does feel that some form of change to encourage plant and equipment investment is likely to get approval in Congress. Chairman Harry F. Byrd of the Senate Finance Committee also told NATION'S BUSINESS he thinks some form of liberalized depreciation should be enacted.

Treasury Secretary Dillon told Ways and Means Committee members in private that some features of the tax credit proposal may have to be changed.

In view of the pressing need for depreciation changes and its wide-

spread recognition in Congress, prospects for legislation to permit faster write-offs for assets are brighter than at any other time in recent years.

Another factor making it more likely that Congress will give business what it wants and needs in the area of depreciation is that businessmen and investors could be bearing heavier taxes as a result of other Kennedy Administration tax recommendations.

In addition to the tax credit idea, the Administration has asked Congress to enact legislation to:

- Set up a system of withholding for dividend and interest payments at the source.
- Repeal the four per cent credit and $50 exclusion on dividend income.
- Limit deductions for business expenses.
- Restrict capital gains treatment on sales of depreciable property.
- Require that earnings in so-called developed countries abroad be taxed annually rather than when earnings are returned to the U. S.

These changes are supposed to bring in the same amount of revenue that would be lost initially from the tax credit proposal—about $1.7 billion. However, chances are slight that all these recommendations will be adopted.

Most foreign countries provide much more liberal means for recovering the cost of capital assets. In fact, tax specialists have concluded that no nation has a more restrictive depreciation policy than does the U. S.

Many varying plans and measures have been urged to correct this situation. The U. S. Chamber of Commerce has asked Congress to eliminate the present $10,000 limit on the 20 per cent first year depreciation allowance that was enacted in 1958, pending basic reform. As a major reform, the Chamber urges that Congress adopt a plan similar to the Canadian bracket system. This would mean setting up 10 or 15 categories of depreciable property with minimum and maximum useful lives and would permit the taxpayer to choose a useful life for writing off the cost of his asset within limits of that bracket. This would permit some taxpayer choice and faster depreciation.

Whatever Congress enacts in the way of tax legislation, the chances are that depreciation will be liberalized to permit more and faster growth for business in future years.

**END**




7-51A

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The federal tax system is cluttered and confusing.

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It is full of labyrinths and loopholes.

It lacks fairness which, above all else, it should have.

It is full of inequalities.

The time has surely come to revise the federal tax system, to modernize it, to improve it—to make it fit the present-day needs of the nation.

Tax reform is necessary—and it can be attained. But it is not easy. If it were easy, we would have had it long ago.

Tax reform calls for studying carefully every aspect of the whole tax problem.

It calls for coming up with specific recommendations—and proving that these recommendations are in the public interest, and will lead to strengthening the economy, and keeping the country increasingly productive and strong against the threat of war.

Tax reform requires working closely with all the government departments and agencies concerned—the Treasury Department, the Internal Revenue Service, the Congress.

Tax reform requires carrying on a nation-wide educational program to build a better public understanding of the urgent need for constructive changes in the federal tax system.

Tax reform requires getting the lawmakers in Washington to take action—to put the recommendations into effect.

Sound tax reform is one of the objectives of the National Chamber's positive program.

CHAMBER OF COMMERCE OF THE UNITED STATES • WASHINGTON 6, D. C.

# ONE CRISIS YOU CAN END

## Economic illiteracy demands improved teaching techniques



Only about one of 20 U. S. high school students gets any exposure to economics

EARLY ONE MORNING in September 1962, television sets in thousands of American homes will be turned on and a sleepy-eyed audience will settle down to watch the first nationally televised course in economics.

If the sponsors of the program—another in the three-year-old Continental Classroom educational series—realize their hopes, upwards of one million persons, young and old, will be in that audience. Most important, some 50,000 high school social science teachers will be taking the course for college credit.

Economics-via-TV is just one of a series of strategies in a national battle plan that is being mapped to conquer one of the most serious problems facing the nation: economic illiteracy.

It is one of the paradoxes of American life that, at a time when this country and its allies are locked in what President Kennedy terms a "long twilight struggle" against communism, disturbingly few Americans are able to explain the workings of our own political-economic system.

American business has much to lose from this economic ignorance, as many businessmen who have sweated through union negotiations, employe misunderstandings over investment and production incentives, automation and other economic facts of life can testify. Similarly, business stands to gain much from efforts to develop a more widespread basic knowledge of economic principles and particularly economic analysis.

For too many years, economics—defined by Merriam-Webster as "the science that investigates the conditions and laws affecting the production, distribution, and consumption of wealth"—has been looked upon with apathy by all but its most ardent students and teachers.

### *Major study in works*

The American Economic Association, whose members include most of the 17,000 practicing economists in the United States, set out more than a year ago to determine what had brought economics to such a low estate. While the study will not be officially completed until late this summer, preliminary findings show that:

Only about five per cent of the 10 million youngsters in our high schools ever get as much as a one-semester exposure to economics, and that of questionable quality.

Many of the textbooks on economics used in the nation's high schools have glaring defects.

A majority of social-studies teachers in the high schools have never had a course in economics.

Several groups, including the Chamber of Commerce of the United States and the Joint Council on Economic Education, have for years been working to raise the level of economic literacy. An example

of this effort is the National Chamber's 17-pamphlet discussion series on "The American Competitive Enterprise Economy." Originated in 1953, the Chamber's course has already been taken by some 32,000 Americans in more than 1,600 separate groups from coast to coast.

The effects of economic illiteracy are not hard to find. Surveys of high school students have revealed startling ignorance of key elements in our economic system. (See "How Youth Views Business," in NATION'S BUSINESS, April.) A professor of economics in a midwestern university complains: "In my classes many of the students can't even define competition." Carnegie Institute of Technology Professor George Leland Bach, chairman of the National Task Force on economic education in the high schools established by the American Economic Association, says the problem is "not enough economics, to begin with, and poorly prepared teachers to teach what little economics is available."

The AEA hopes to arouse wide support of economic education through Continental Classroom, by activating economists to more vocal support of improvements in the teaching of economics in secondary schools, and by recommending improvements in the ways the subject is now being handled by both textbook authors and classroom teachers.

One of the biggest obstacles, most authorities agree, is the notion that economics is a dull subject—difficult, if not impossible, to bring to life.

"This is a tragic state of affairs," says Dr. Emerson P. Schmidt, manager of the Economic Research Department of the National Chamber of Commerce. "Tragic—because economics is potentially the most exciting of all the social studies, and certainly the only one in which the principles can be so firmly identified. Economics is, after all, a technique for analyzing ways to resolve the fundamental conflict between unlimited human wants and limited resources."

In the public schools of Elkhart, Ind., Purdue University economic education Professor Lawrence Senesh is offering dramatic proof that economics can be made exciting; and he is doing it at a level at which many economists have long felt the subject could not be grasped—in the primary grades.

By relating the fundamental idea relationships of economics to the experience of first graders, Hungarian-born Professor Senesh has produced results so gratifying that his approach has already gained considerable attention across the nation.

Working with 900 first graders and their teachers last year, Professor Senesh was able to instill a "remarkable grasp of the basic relationships involved

Teacher in an Elkhart, Ind., elementary school explains some fundamental economic ideas to first graders. Program has shown that economics can be taught even in the early grades

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## ECONOMIC CRISIS

*continued*

in economics" in young minds. It is his intention to introduce these same relationships on every grade level, but with added depth and complexity in successive years. The economics the children learn will not be fragmented but will always be related to a structure of ideas upon which the children can build all their lives, and which will provide them analytical tools for probing and understanding man's economic activities.

An example of how he does this is the way he explains the fundamental economic factors of land, labor and capital, which he prefers to call "materials, labor and tools."

"We ask the child what his father does for a living. Suppose he is employed in a local chair factory. The wood he works with is the material, the hammer, saw and other implements are the tools of the equation, and the muscle power which daddy expends is the labor component. We are thus able to establish in the child's mind the relationship of the three factors."

Teachers in Elkhart's schools have been receiving training from Professor Senesh in order to carry on the effort at economic education which he instituted. Few of the teachers had any exposure to economics before receiving instruction from him.

### *What textbook study showed*

One of the most important teaching tools is the textbook.

A team of 12 economists appointed by the American Economic Association recently concluded an intensive study of high school textbooks in the social studies.

Prof. Paul R. Olson, State University of Iowa economist, directed the study team, which included teachers of economics at the university or college level and one professional research economist.

Professor Olson says the economists found some serious weaknesses in economics textbooks.

The researchers and others who have examined the texts criticize many of them for their concentration on description of economic factors and institutions and failure to analyze such factors as money and banking—or even to present the whole concept of economics for what it basically is—a technique of analysis.

Professor Olson describes as surprising the "slight attention given (in social problems texts) to such topics as international trade, business cycles, money and banking, comparative economic systems, and economic growth. Extended cover-

## How economics can help you

ECONOMICS sounds dry, uninteresting and even forbidding. But it can be captivating, interesting and even intriguing, once you dig into it.

The study of economics can help you to gain insight into the way our economy works. It can abate fears about inflation, about depressions, about exhaustion of our nonrenewable natural resources; it can reveal the basic harmony built into a society by a free market economy and its class fluidity and unlimited and open opportunities.

One of the most useful definitions of economics is this: Economics examines, evaluates and studies human affairs from the viewpoint of price. "Price" includes not only final product prices at retail, but also the price of capital (interest and profits), of labor (wages, salaries and fringe benefits), and of scarce natural resources like land.

The relationships between these prices, what's behind these prices, their impact on incomes and on real output—these are the heart of a study of economics.

Economics may deal with facts; it may be descriptive of our business life. But this is not the heart of economics as generally taught in our best schools; economics provides a method of analyzing our business system in a way which will shed light on the why, the how and the optimum end result of production and distribution—including why-not, how-not and barriers to optimum end results.

One does not have to know economics to be a competent business executive, but it helps. To evaluate government policy and action, it helps even more. To understand what's going on in the world, it is essential.

—DR. EMERSON P. SCHMIDT
*Director of Economic Research*
*Chamber of Commerce*
*of the United States*

age, however, is given to conservation, social security, housing and health and medical care."

In United States history texts, another area where high school students are exposed to economics—and sometimes the only place they are so exposed—Professor Olson and his colleagues found: "The most striking lack of balance in the presentation of economic forces is attributable to the relative neglect of economic topics during the past quarter of a century. None of the texts examined presents adequately the economic aspects of United States history as they are developing today."

The problem of unqualified teachers is a second major obstacle in the national assault on economic illiteracy. Only eight states now require a course in economics for teachers' certification in the social studies.

The target, then, would seem to be more adequate preparation of teachers and better design of economics texts and teaching methods. Dr. Howard S. Ellis of the University of California at Berkeley pinpoints the objective of economic education in the secondary schools this way:

"The aim of the instruction should be to equip future citizens with a useful apparatus of thought with which they can attack the economic questions which they will encounter in everyday life—in reading newspapers, listening to political addresses, talking with friends, pursuing their own businesses or professions." He recommends a framework of instruction embracing, 1, the allocation of economic resources; 2, the flow of income, fluctuations and growth; 3, distribution of wealth and income, and economic systems and, 4, international trade and international economic relations.

Economists are not noted for agreement. On one thing, however, there would seem to be little room for disagreement. In training our youngsters for a future which, at best, is uncertain, we can hardly afford to short-change them in the tools with which they will have to work against a formidable adversary which has made a quasi-religious dynamic out of economics. The Soviet youngster in the equivalent of our high school receives a heavy weekly dosage of economics-oriented subjects all seen, of course, through the distorting prism of Marxist-Leninist ideology.

Can we afford not to teach our own youth the fundamentals of our economic system? **END**


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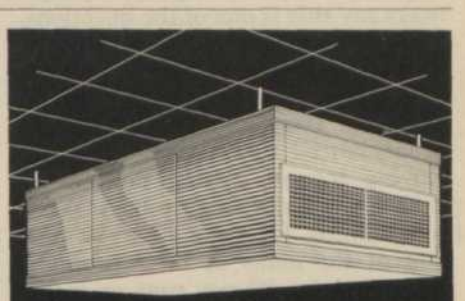
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# Make this test for higher profits

## Should you offer more or less goods and services?

COMPANIES are taking a harder look at what they sell these days.

Some go on broadening their lines—offering more and more products or services. Others are cutting out items in an attempt to beat the profit squeeze. The decline of profit percentages—even in times of peak sales volume—has set many firms thinking about fundamentals. One of them is:

"Should we keep trying to find new products to carry, or are we already wrestling with too many?"

Many members of the Association of Consulting Management Engineers say this is one of the questions most of their clients are asking.

The urge to push into more and more products is part of the natural desire to grow and diversify. But a substantial number of firms are moving toward cutting down.

"Many of our clients have been complaining for years that 20 per cent of the items in their catalogs accounted for 80 per cent or more of sales," says a top consultant. "But they found it hard to chop away all the other products that seemed to be more bother than they were worth. It's hard to admit that a past decision was wrong and has to be canceled. But now the need to boost percentage profits makes it easier to look facts in the eye and decide."

See facing page for a checklist that will help you determine whether specific items should be dropped. If you are not certain whether this is a time for you to think about expanding your lines or cutting them back, here are four rules that some leading companies are following:

1. If you want to grow, but none of your present lines seems to have much stretch in it, you have the choice of either looking for major new lines to add at home or exploring new overseas markets, since they often have big openings for items that are on the wane here.

2. If some of your fringe products are not profitable enough but can't be dropped without weakening your competitive position, you can boost mark-ups on them sharply, or substitute new qualities or models that would yield better margins.

3. If one or a few main products account for most of your sales and profits, and if they are in a growing field, you can consider cutting out all the fringe items and concentrating on the money-makers.

4. If one or a few main products account for most of your sales and profits, but are in a declining or uncertain field, your first job may be to replace them with more dynamic lines.

### *Additions*

It's important not to let a sudden rush of cutback sentiment stampede you into thinking that the day of business growth is over. Even companies that are cutting lines consider the move a preliminary to growth—a step back in order to make a big jump forward later.

"Growth, in the long run, is more important than this year's profits," says the president of one leading manufacturing concern. "With our reputation, we could slash advertising and research and have two or three years of fantastically high profits. But that would be the end. I'm more concerned with getting new and improved models for the years ahead. The desire to grow is natural and healthy. Any reversal of it borders on the mentality of the miser."

One company in industrial abrasives sees its future this way: In the U. S., consumer durable goods demand probably won't grow as fast as the over-all economy. The growth of demand for steel and other metals that go into consumer durables will be slower yet. The amount of abrasives used in steels will lag even behind that. So, to grow, this firm must either turn to entirely different products or invest more heavily in foreign areas, where consumer durables will have a much steeper growth rate. The company is actively doing both.

Just how to go about adding to your line is a question that plagues many companies. Large companies sometimes have a separate department headed by a manager of forward planning or director of new product development. But in most firms any additions to the line have to be worked out in stolen moments by executives busy with other duties. A few fundamentals may be helpful prods to men in this position:

First, use your two "intelligence services"—your sales force and your purchasing men. They are in daily contact with scores of other companies in related lines. If they are alert for product needs that nobody else is filling and they keep you posted, many ideas for new lines may suggest themselves.

Second, try to make more outside contacts yourself—at trade association meetings, conventions, and anywhere else that your customers and competitors gather. Just hearing about somebody else's recent experience with a new product may save you expensive mistakes or give you an idea for a variation that will succeed.

Third, explore the possibility of mergers or acquisitions. You're most likely to find these in:

Firms that have a good product but an inadequate sales force.

Firms with a good idea, but insufficient capital to make it work.

Firms that are personally run by an aging individual who has no

# 12 WAYS TO DECIDE WHAT TO DROP

1. . . Has there been an actual cash loss, rather than a paper loss allocated to this item?

YES ☐ NO ☐

2. . . If the item is dropped would most of the costs really be saved, rather than re-allocated?

YES ☐ NO ☐

3. . . If we drop this item will most customers still feel we offer an adequate line?

YES ☐ NO ☐

4. . . Could we maintain the same advertising and promotional position without this item?

YES ☐ NO ☐

5. . . Will we be able to get rid of our stocks of this item without much financial loss?

YES ☐ NO ☐

6. . . If the liquidation will result in tax advantages, is this the best year in which to take them?

YES ☐ NO ☐

7. . . Could we still employ the people connected with this item in another profitable capacity?

YES ☐ NO ☐

8. . . Could the vacated space be used or disposed of profitably, rather than standing idle?

YES ☐ NO ☐

9. . . Will removal of this item improve the looks or arrangement of our sales displays?

YES ☐ NO ☐

10. . . Could we cut prices of other goods or services as a result of dropping this item?

YES ☐ NO ☐

11. . . Would we have immediate and profitable uses for the capital that would be freed?

YES ☐ NO ☐

12. . . Are we reasonably sure no future development will make this item profitable again?

YES ☐ NO ☐

"Yes" answers are indications in favor of cutting out the line or product, while "no" answers are cautions that a discontinuation might have hidden disadvantages. Of course, you cannot reach a final verdict solely on the basis of your score. A single "no" answer on Question 3, for instance, if you felt strongly about it, might outweigh all other responses. But generally speaking, if there is a heavy preponderance of "yes" or "no" answers, it is a strong sign of the direction you should lean.

close relative to whom to pass them on.

Firms that have recently lost one or more of their key managers.

Fourth, don't overlook the chance to start making a product that you need yourself. Look over a list of the main products or services you buy each year. Are there some that you use in big enough volume to make you your own good customer?

Here is an example of a company that found a ready-made buyer for a new line within its own organization: The firm makes castings of high-temperature alloys. It regularly bought $7 million to $10 million a year of specialized metals from other producers. For years, it thought of going into the alloy-making business itself, but always shrank from it as a dangerous adventure.

Then a visitor attending one of the firm's management meetings changed the whole point of view. "You've already got a $10 million customer waiting to give you a firm order," he said. "Even if you didn't sell a pound of alloy to outsiders, your own needs would come close to putting the operation in the black. How much nearer to a sure thing can you hope to get in the business world?"

#### *The pain of parting*

Cutting your line is a different story. It's an emotional strain, for one thing. The decision to kill off a product that has become a company tradition or that results in closing stores or plants isn't easy. Even for a retailer to stop carrying a line of goods that has long been displayed on his shelves is painful.

Still, this is a hard fact that every business must face from time to time, and it is especially pertinent now. Some analysts believe the squeeze on profits has one of its root causes in the explosion of new models, styles and colors of the past decade. The epidemic of model changes affects almost every manufacturer, wholesaler, retailer and consumer.

Recent talks with department store officials—who normally thrive on multiplicity of goods—illustrate what has happened.

"I was standing in a corner of our housewares department the other day," said the vice president of a department store, "when I saw a young couple shopping for a juice squeezer. We carry two leading brands. They chose the type they wanted with little trouble. Then came the style and color question. We had models at several prices with differences so slight that it would take an engineer to choose. We also offered a choice of chrome-and-white, chrome-and-red, chrome-and-yellow, and all-chrome on most models. Each time the husband had almost decided that one model had the best mechanical features, he noticed something he liked about another one. They finally ironed that out, and the rest of the conversation went about like this:

*"Wife:* 'But dear, the saleslady says that model you picked isn't available in chrome-and-yellow. Our kitchen is mainly yellow.'

*"Husband:* 'Well, the curtains are partly white. Wouldn't the chrome-and-white squeezer do?'

*"Wife:* 'I suppose so, if there's nothing else. (Then to the salesperson): Are you sure this doesn't come in yellow?'

*"Clerk:* 'Yes, they do make a yellow-and-chrome in that model, but we don't happen to have it in stock.'

*"Wife:* 'Well, I think we'll wait and see if we can't find it in those colors.'

"(To her husband, as they walked away): 'This store never seems to have what I want any more. They're always just out of something.'"

There are two sides to the issue of how much variety is enough. The people of a prosperous economy want more selection. The rise of a nation has always been measurable in the variety of its consumer goods. This is part of the success a nation struggles for. It would be wrong and futile to urge a voluntary move toward drabness.

But the degree of proliferation apparently can become excessive. Some manufacturers—in the words of one merchandising man—seem "to be competing against themselves." A new model often cuts into sales of the same company's other models more than it hurts competitive lines.

#### *Hopeless or curable?*

The most direct and obvious cure for this problem would be unduly harsh for many companies: a firm decision to cut back the number of offerings. A manufacturer or retailer who tries cutting back his lines without offering some compensating advantage may be deserted by customers rushing to a competitor who still carries a more extensive selection.

So one key question is: What immediate benefit can a businessman gain if he cuts the number of his offerings?

In the case of a manufacturer, the accounting department can speedily estimate the savings—translatable into price reductions or better service—that could be effected by simplifying the product line.

At the merchandising level, the answers are harder to arrive at. The shopper's growing insistence on doing as much of his buying as possible under one roof gives economic utility to a big, varied selection that may not always be outweighed by a moderate reduction in price.

On the other hand, shoppers often complain that it's hard to find things in a store with too great a profusion of goods. Thus many psychological factors have to be considered, in addition to purely monetary ones.

Few businessmen are so emotionless that they can cut out an existing product, especially if they had something to do with its origin, without trying to find reasons for keeping it.

There is clearly no rule that says, "Now is the time for all companies to expand their lines—or cut back on them—or leave them as they are."

The most that can be said with certainty is that it's a time for all companies to examine their lines with unusual care.

Every business can benefit from a serious consideration of this subject.

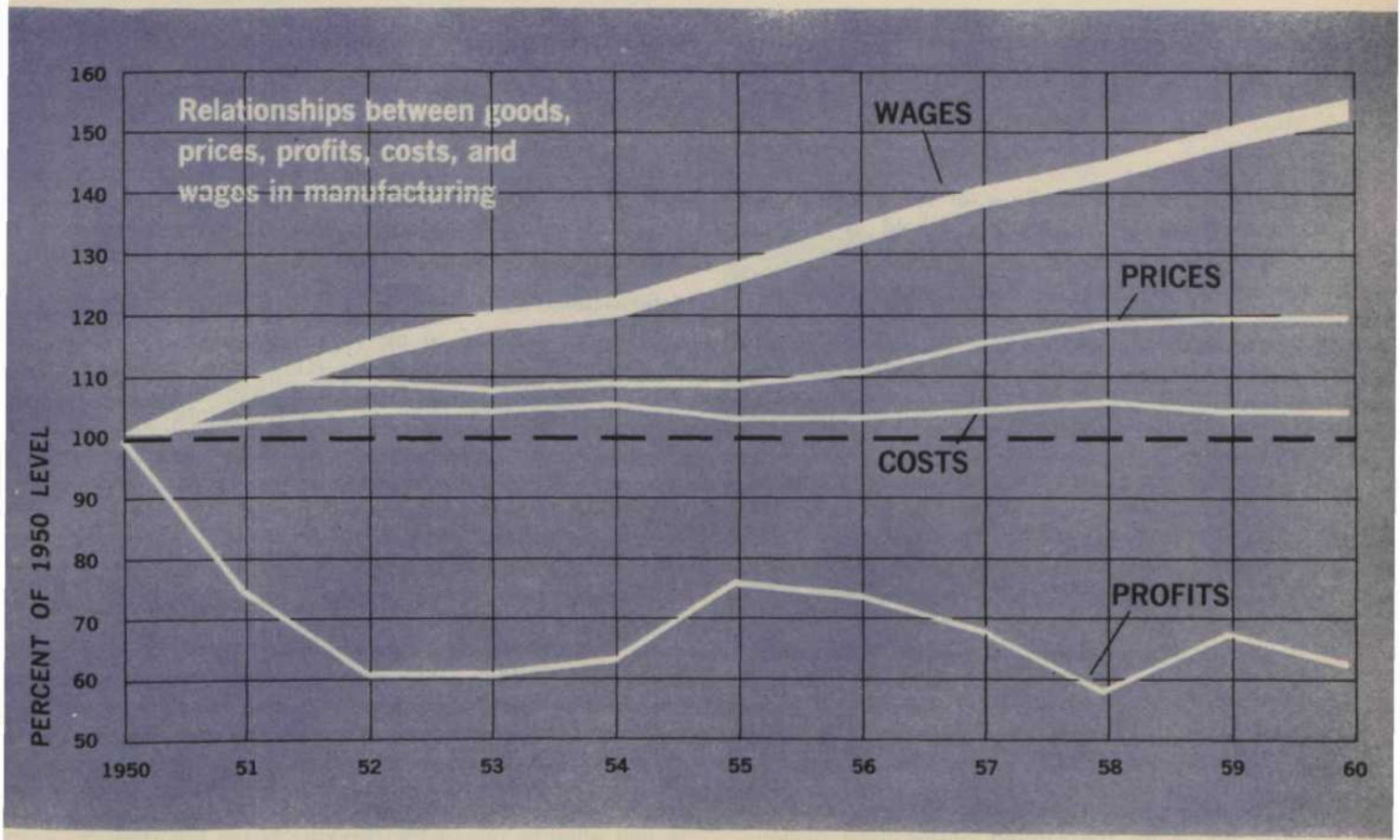
Some may find that a major overhaul of their product lines proves to be the freshest breeze that has blown through the company in a decade.

Others may decide on only a minor change or two. But in any event, they'll be alert to the fact that a line of goods is something to be reviewed afresh at least once a year—that it needs to be pruned occasionally, as well as encouraged to grow at other times.

When the drive to boost profits leads to thoughts of trimming superfluous space, excess personnel or material waste, remember that these are secondary compared with what products you carry. All cost items are important parts of a business. But what you make or sell is your business. —CHARLES A. CERAMI

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# Where the squeeze comes from




PRICES of American goods are under sharp criticism.

Congressional committees are investigating "the price squeeze on the consumer"; union publications condemn "profit-price inflation"; a federal department to protect consumers is considered. Most of the discussion centers on manufacturing.

The suggestion is that business profits are to blame. Government statistics provide a way of testing this charge.

The Department of Commerce index of goods output prices covers all manufactures. The Federal Trade Commission and Securities and Exchange Commission quarterly financial reports measure manufacturing profits and costs. The Bureau of Labor Statistics reports the average hourly earnings of production workers in manufacturing.

In the chart these four series of statistics have been labeled: "prices," "profits," "costs," and "wages."

Between 1950 and 1960, prices of manufactures rose approximately 20 per cent. Over this same period, the rate of profits per dollar of sales revenue, after taxes, declined by almost 40 per cent. The hourly earnings of manufacturing workers rose 55 per cent.

Costs of production have risen, but the rise has been minimized through the cost-cutting efforts of management, through investments which increased productivity, and through a drastic reduction in the rate of profits.

Consumers and workers have benefited from the efforts of business, but the businessman has not. The real squeeze is on his profits. **END**

# GOVERNMENT BLOCKS PRACTICAL SPACE USE

## Business ready to operate communications satellites

MANKIND'S first practical use of space—for a vast communications network—is being held up by the United States government.

Private American companies now are ready, willing and able to design and finance a system of satellites to relay television, telephone and telegraph messages around the globe. But they must get government cooperation because the government owns all available rockets and facilities to put the satellites in orbit.

So far the government has shown great reluctance to give up its monopoly on space activities. In fact, President Kennedy has asked Congress to triple funds for communications satellites at the same time private enterprise has proposed to undertake earlier and more advanced projects. The final decision on whether government or business shall develop the communications system will set a pattern for future commercial space activities, such as freight shipment by rocket.

Neither the feasibility of, nor the need for, the space network is questioned. Dr. Hugh L. Dryden, deputy administrator of the National Aeronautics and Space Administration, notes: "Recent successful satellite flights by the United States have demonstrated the great potential utility of satellites as relay stations in worldwide communications systems."

Such a system "would provide the best answer to the need for an economical and reliable method for handling a constantly increasing volume of global communications traffic over the coming years," says Hilliard W. Paige, general manager of the missile and space vehicle department of General Electric Co.

"Just visualize the possibilities of a system that permits person-to-person dialing throughout the world and worldwide TV facsimile programs," comments Richard S. Morse, former Assistant Secretary of the Army for Research and Development. "Such an enterprise offers more commercial possibilities than reaching the moon, even though an American station on the moon will help our country's prestige."

Overseas telephone calls rose to nearly four million in 1960 from about one million in 1950. "We estimate they will rise to eight million by 1965 and to 20 million in 1970," says James E. Dingman, vice president and chief engineer for American Telephone & Telegraph Company.

### *International TV prospects*

Satellites promise to meet this demand, as well as the need for a system to relay TV broadcasts between the U. S. and other nations. This cannot be met now, because television requires a much wider radio band than is provided by the underseas cables that handle transatlantic telephone and telegraph messages.

Why then is the government delaying its acceptance of industry's offers to go ahead? Officials give these five reasons, all of which are readily answered by industry spokesmen:

1. If the government agrees to launch experimental satellites for some companies, these concerns will gain a favored position in a new field.

Industry officials, however, point out that many companies are willing to team up and cooperate with one another in development work and later operations. As the communications industry sees it, space is just another means for carrying out a job that's long been performed by a number of American companies under general government regulation.

2. The question of which federal agency will set policy and oversee industry participation in this field is not yet settled.

Currently, many agencies are involved, though none seems to be in charge of over-all plans. The space agency is concerned with scientific developments; the Pentagon, with national security implications of global communications. The Federal Communications Commission looks toward regulating services supplied via satellites. The State Department wants to supervise negotiations for international agreements on radio frequencies for satellites. The Justice Department has also pushed into the picture because possible antitrust problems might arise from corporate partnerships for space development.

Nevertheless, company officials stress, the U. S. cannot—and need not—let jurisdictional questions

between federal agencies slow progress in satellite communications. Such problems are principally bureaucratic and could be resolved by decisive action from the top level of government.

3. Definite plans are difficult to make until international agreements are worked out with other nations on the use of radio frequencies.

The next opportunity for negotiations on this question will be in late 1963, when an international body concerned with communications will meet. The organization, the International Telecommunication Union, handles allocation of radio frequencies throughout the world.

But, industry officials note, the best means for the U. S. to obtain agreement on frequencies from other countries is to show them the ultimate benefits an American satellite network would offer the entire world.

Dealing with other countries is nothing new to the U. S. communications industry, which has established radio and cable links with other lands.

A. T. & T., for instance, says its satellite plan reflects long experience in joint undertakings with other countries in providing overseas communications. The company today has agreements with more than 160 foreign government and private communications agencies.

4. Some officials express fear that industry efforts would preclude still indefinite government hopes to use satellites to spread favorable propaganda about the West. Some planners, for instance, talk in terms of the U. S. offering to beam TV broadcasts to Africa and other areas—with American foreign-aid dollars supplying the necessary equipment. The idea would be to spread America's story to countries abroad as part of the struggle against communism.

Private enterprise efforts, far from conflicting with such an aim, may even make it possible much sooner.

#### *Businessman's view*

An executive of one leading communications company comments: "If, in addition to being the first country to put into effect a communication satellite system available to all countries, this were to be accomplished by private enterprise acting on a cooperative basis, a dramatic demonstration will be provided of the vitality and effectiveness of our economic system."

5. The number and diversity of proposals makes it difficult for the government to choose the best.

Industry officials reply that this argument is basically only an excuse for unwarranted delay. The fact that communications companies and equipment makers are able to come up with different proposals is evidence of their competence, these spokesmen say, and demonstrates that government should not attempt to monopolize the field.

While the government slowly thrashes out these issues, private industry is going ahead with its plans to give the U. S. the lead in this practical space application.

A. T. & T., for instance, says it is ready to invest $170 million to develop a network of 50 satellites that would orbit about 6,000 miles above earth. These artificial moons would relay messages to a series of



WIDE WORLD PHOTOS

Frederick W. Kappel, AT&T president, promises its proposed satellite system would be shared with other companies



Hilliard W. Paige, manager of GE's space effort, declares "Private enterprise can establish a satellite system by 1965"




WIDE WORLD PHOTOS

Dr. Henri Busignies, vice president of International Telephone and Telegraph Corporation, says, "We're interested"



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"Remember, a membership in your voluntary association is not just for 'news'—it's for *real* information of the kind that's so vital to your business. So, join and support your voluntary association, and work with others for mutual benefit."



Pete Progress

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## SPACE USE

*continued*

26 ground stations. The company is confident it could build and launch its first experimental satellite within a year after getting government approval; this test satellite would be designed for broadcasting between the U. S. and Europe. A. T. & T. executives predict they could have a commercial satellite network in worldwide service in three to four years.

Also keenly interested in this field, General Electric will seek participation by other companies in joint development of a worldwide commercial communications satellite system.

It plans to put its first satellites into orbit in early 1964 and begin partial service later that year, if the government approves.

The network would ultimately include ten satellites.

Corporate interest in space communications, of course, indicates hopes for realizing earnings from private investments. Total outlay for developing a satellite network for global communications would be more than $500 million, according to Mr. Morse. "The annual commercial revenues of this program could easily reach several billion dollars a year by the late 1970's," he adds.



Elmer W. Engstrom, vice president of RCA, cites "tradition of reliance on private industry"

A study by General Electric engineers and scientists estimates such a satellite system would cost about $280 million less than a cable system, which would cost about $475 million. The study takes into consideration that much research and development for the system is already taking place; this factor apparently accounts for the difference from Mr. Morse's estimate.

The General Electric study estimates its proposed system could be making an operating profit of $30 million a year by 1970.

"We are confident that private enterprise can and will move rapidly to establish a world-wide satellite system by 1965, once government clears the way," says Mr. Paige.

***One station already equipped***

As preparation for its role in space communications, International Telephone and Telegraph Corporation has equipped one ground station at the Bell Telephone laboratory in Nutley, N. J., and is planning a similar installation in South America. "We're interested in participating in the operating of a commercial system using satellites for long-distance communications," declares Dr. Henri Busignies, vice president and technical director of ITT.

Radio Corporation of America has proposed a communications satellite network, consisting of two or three satellites stationed 22,300 miles above the Equator. The company would open access to these relay stations to all international communications carriers for radio, telegraph and TV services.

A. T. & T., which appears to be willing to pursue its system alone, emphasizes that it seeks no monopoly of space communications. The company says its plans would not exclude other private systems from being developed if corporations wish to pursue them. In addition, A. T. & T. proposes to share use of its system with other companies, much as it now shares its undersea cables.

This would be done either through leasing arrangements, or by other companies participating in ownership by sharing capital and operating expense, according to Frederick W. Kappel, A. T. & T. president.

"For the federal government to own and operate the entire commercial satellite communications system would not be in keeping with our national tradition of reliance upon private industry for international communications facili-


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| Union Carbide Corporation<br>*J. M. Mathes Incorporated, New York* | 4th cover |
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| Wilbur & Williams Company, Inc., The<br>*Potter Hazelhurst, Inc., Providence, R. I.* | 80 |


## SPACE USE

*continued*

ties," says Dr. Elmer W. Engstrom, senior executive vice president of Radio Corporation of America.

Several communication companies have offered to reimburse the government for all costs involved in launching company satellites.

These private concerns are eager to pursue development work on a system for eventual commercial use. Moreover, they seek no federal subsidy.

### *Ike's memo*

Former President Eisenhower issued a memo on satellite communications last January, providing that the government "should aggressively encourage private enterprise in the establishment and operation of satellite relays for revenue-producing purposes."

But the Kennedy Administration has indicated it will be in no hurry to launch satellites of private companies, even if they bear all expenses. This was clearly pointed up by one little-noticed move: The Administration dropped from NASA's fiscal 1962 budget request a provision (inserted by President Eisenhower) that industry probably would reimburse the government a total of $10 million for satellite-launching services in that fiscal period.

Meantime, the space agency is rapidly expanding its own efforts in space communications. The President has asked Congress to appropriate $94.6 million for government communications satellite development in the fiscal year that started July 1. Appropriations for the past fiscal year were only $27.9 million.

Included in the growing government effort is a new satellite called Relay, scheduled to be orbited in mid-1962 to explore further the feasibility of transatlantic communications.

NASA officials have agreed only to discuss the A. T. & T. proposal. At the same time, FCC is discussing with a group of international communications firms the possibility of their combining to run a satellite system. But insiders say a final decision may be many months away.

The basic question, they agree, is: Will the first practical application of space for the public benefit come from the private companies now providing such services—or will government monopoly continue to block or retard such uses? **END**



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# REVOLVING DOOR

THE COUNTRY has been awakened by an inspiring reveille. The President assures us—and events bear him out—that the recession is over.

Now is the time to march! Onward and upward! Damn the torpedoes! Excelsior!

Washington is filled with administrative bustle and dashing about.

Everybody yells "Forward!"

But nobody points.

So the country sweats under full pack vainly searching through travel orders, special messages and task-force reports trying to find a map that shows the road.

Those who complain that people in the ranks are only milling around instead of responding to the challenge of the times have only to consider these contradictions:

The President talks of restoring world confidence in the dollar while urging new appropriations which will increase the federal deficit and the threat of inflation.

The Administration wants to help developing countries modernize their society, broaden human opportunity and stand as equal partners in the community of free nations. At the same time it talks of ending the tax deferral privilege of private companies whose foreign operations have proven a practical means of helping in foreign development.

We are told we must spend more, faster, on space projects—including an additional $50 million for communication satellites. Private companies which are eager to do this without government subsidy are refused permission while government agencies quibble over administrative details.

The government proposes a Youth Corps to provide subsidized employment for the young, while we raise minimum wages and close many of the jobs once open to untrained youngsters.

The Secretary of Commerce tells us the Administration is committed to a "relationship with business marked not by antagonism and suspicion" while the Federal Trade Commission, the Department of Justice and congressional committees harass businessmen and ask a clutch of new laws to deal with business practices and customs. Meanwhile, the Administration has proposed a farm plan which promises monopoly control in agriculture.

The Administration proposes a complicated depreciation plan hoping to increase investment in needed new production machinery. At the same time it proposes to repeal tax measures adopted to encourage individual investment.

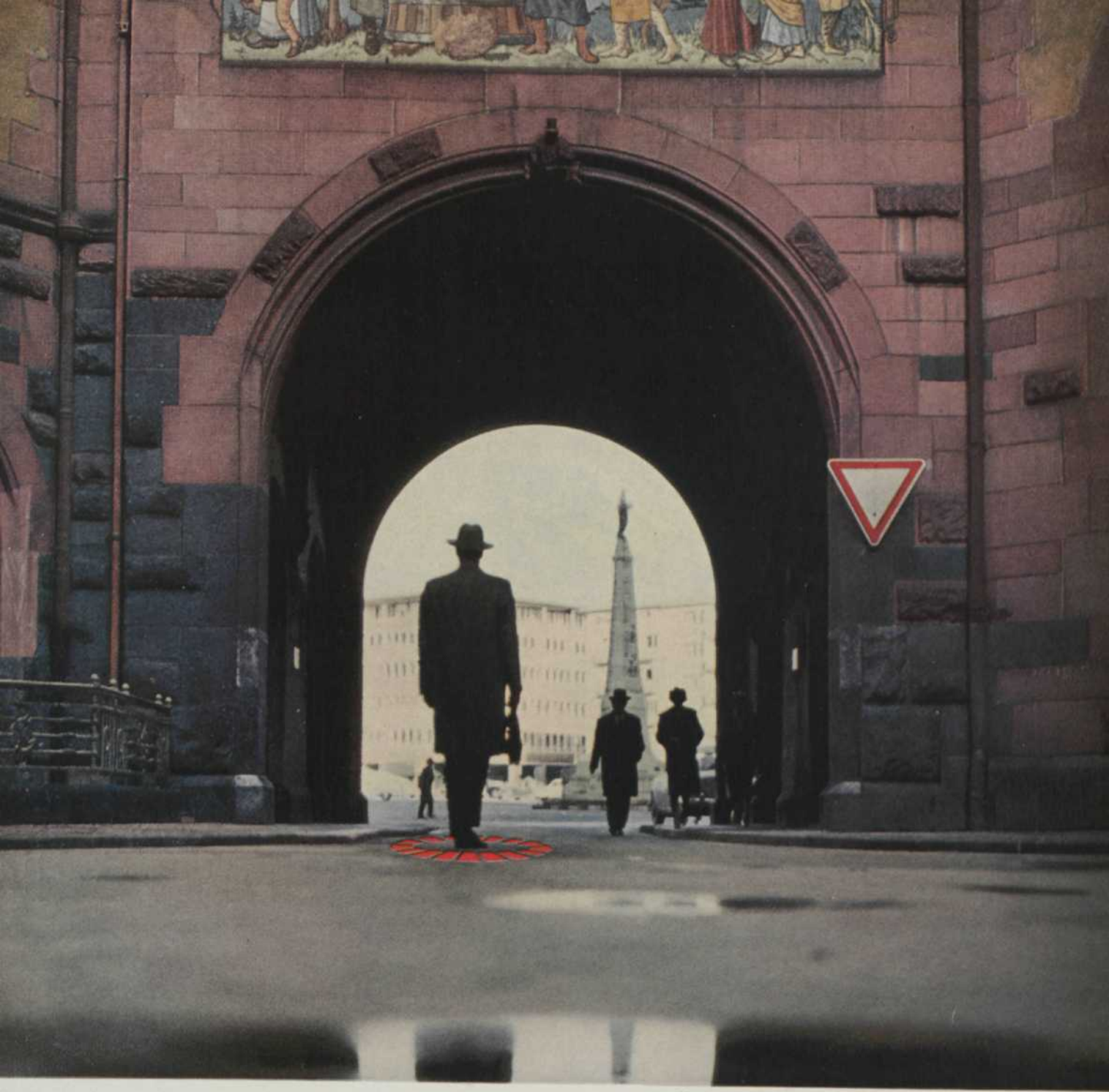
We are told we must sacrifice—while Congress debates a welter of laws under which government would take over responsibility for individual problems.

The list could go on. Almost every day brings new contradictions. In spite of them, the country is still strong and eager to support energetic leadership. But it is dizzying to try to make progress in a revolving door.

We could do with a period of less energy and more shoes-off contemplation.

Economic goals which seem equally desirable are often mutually conflicting. Some point one way, some another.

We aren't likely to reach any of them if those who try to follow are continually meeting their leaders coming back.



*Photographed at the Römer, Frankfurt's 15th-century town hall*

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